

Appraisal & Valuation Analysis

Summary Report Format

BBD/TCOR Office Building

396 North Seguin Avenue

New Braunfels, TX 78130

RETECHS Job #: WF-SA-12-029631-01-1

HCP Project Number: VAS12205

Prepared By:



As of September 13, 2012

Prepared For:

Mr. Marc Brooks

Wells Fargo Banks RETECHS

1000 Louisiana St, 4th Floor

Houston, TX 77002



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September 13, 2012

Mr. Marc Brooks
Wells Fargo Banks RETECHS
1000 Louisiana St, 4th Floor
Houston, TX 77002

RE: Appraisal of an office property located at 396 North Seguin Avenue, New Braunfels, Comal County, Texas 78130

Dear Mr. Brooks:

In fulfillment of our agreement as outlined in the Letter of Engagement, HCP Realty Advisors, Inc. is pleased to transmit our appraisal developing an opinion of value in the above referenced real property of the As Is Market Value of the Fee Simple estate as of September 5, 2012. We have also provided an Insurable Value. The opinion of value reported below is qualified by certain assumptions, limiting conditions, certifications, and definitions, which are set forth in the report.

The appraisal will be used by the owner to establish market value for lending decisions. It may not be distributed to or relied upon by other persons or entities without written permission of HCP Realty Advisors, Inc. However, the owner may provide only complete, final copies of the appraisal report in its entirety (but not component parts) to third parties who shall review such reports in connection with loan underwriting or securitization efforts. The appraisers are not required to explain or testify as to appraisal results other than to respond to the client for routine and customary questions.

Please note that our consent to allow an appraisal report prepared by HCP Realty Advisors, Inc., or portions of such report, to become part of or be referenced in any public offering, the granting of such consent will be at our sole discretion and, if given, will be on condition that we will be provided with an Indemnification Agreement and/or Non-Reliance letter, in a form and content satisfactory to us, by a party satisfactory to us. We do consent to your submission of the reports to rating agencies, loan participants or your auditors in its entirety (but not component parts) without the need to provide us with an Indemnification Agreement and/or Non-Reliance letter.

Mr. Marc Brooks
Wells Fargo Bank RETECHS
September 13, 2012

The following appraisal sets forth the most pertinent data gathered, the techniques employed and the reasoning leading to the opinion of value. The analysis, opinions and conclusions were developed based on, and this report has been prepared in conformance with, our interpretation of the guidelines and recommendations set forth in the *Uniform Standards of Professional Appraisal Practice* (USPAP), the requirements of the *Code of Professional Ethics and Standards of Professional Appraisal Practice* of the Appraisal Institute, The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), Title XI Regulations and HCP Realty Advisors, Inc.'s appraisal standards.

Based on the analysis contained in the following report, the Market Value of the subject property is concluded as follows:

MARKET VALUE CONCLUSION – AS IS

Appraisal Premise	Interest Appraised	Effective Date	Value Conclusion
As Is	Fee Simple	September 5, 2012	\$ 1,130,000

INSURABLE VALUE – AS IS

Appraisal Premise	Interest Appraised	Effective Date	Value Conclusion
As Is	N/A	September 5, 2012	\$ 610,000

Wells Fargo reserves the right to use the report for the purposes of syndication with other financial institutions or securitization.

Mr. Marc Brooks
Wells Fargo Bank RETECHS
September 13, 2012

The analysis contained in this appraisal is based upon assumptions and estimates that are subject to uncertainty and variation. These estimates are often based on data obtained in interviews with third parties, and such data are not always completely reliable. In addition, we make assumptions as to future behavior of consumers, and the general economy, which are highly uncertain. It is, however, inevitable that some assumptions will not materialize and that unanticipated events may occur which will cause actual achieved operating results to differ from the financial analyses contained in this report, and these differences may be material. Therefore, while our analysis was conscientiously prepared on the basis of our experience, and the data available, we make no warranty of any kind that the conclusions presented will, in fact, be achieved. Additionally, we have not been engaged to evaluate the effectiveness of management, and we are not responsible for future marketing efforts, and other management actions upon which actual results may depend.

We believe, based on the assumptions employed the value conclusion represents a market price achievable within 12 months. We take no responsibility for any events, conditions, or circumstances affecting the market that exists subsequent to the effective date of this appraisal. This letter is invalid as an opinion of value if detached from the report, which contains the text, exhibits, and addenda.

It has been a pleasure to assist you in this assignment. If you have any questions concerning the analysis or if HCP Realty Advisors, Inc. can be of further service, please contact us.



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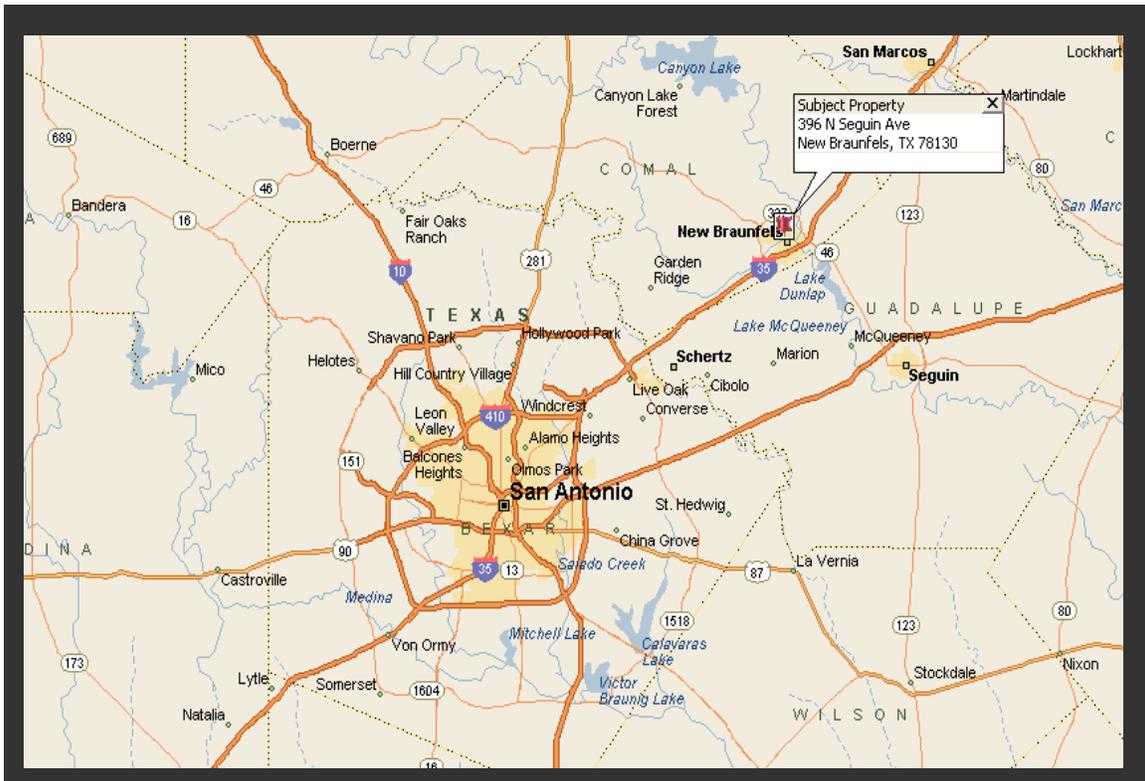


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BBD/TCOR Office Building



Summary of Salient Facts

Subject Property:	BBD/TCOR Office Building 396 North Seguin Avenue New Braunfels, TX 78130
Location Description:	The subject property is located at the northeast corner of North Seguin Avenue and East Zink Street, City of New Braunfels, Comal County, Texas
Property Type:	Office
Market Type:	Large
Report Type:	Summary
Interest Appraised:	Fee Simple
Appraisal Date:	September 13, 2012
Valuation Date - "As Is":	September 5, 2012
Inspection Date:	September 5, 2012
Highest & Best Use As Vacant:	Office Development
Highest & Best Use As Improved:	Continued Use as an Office Development
Zoning:	C-2, General Business District
Legal Description:	0.4210 acres being part of Lots 247 and 248 of New City Block 2013, City of New Braunfels, Comal County, Texas
Tax ID/APN:	971
Total Land Size:	0.4210 Acres
Total Net Rentable Building Area:	5,815 Square Feet
No. of Stories:	Two (2)
Land to Building Ratio:	3.15 : 1.00
Value Description:	A complete cost approach was not applied. A complete income approach was applied. A complete sales approach was applied.

Summary of Salient Facts (Continued)

VALUE SUMMARY	
COST APPROACH	N/A
INCOME APPROACH	\$ 1,130,000 – As Is
SALES COMPARISON APPROACH	\$ 1,130,000 – As Is

RECONCILIATION	
Market Value:	\$1,130,000 – As Is
Insurable Value:	\$ 610,000 – As Is

Appraisal Specifics

Purpose of the Appraisal

The purpose of this appraisal is to determine the market value of the subject property.

Interest Appraised

The property rights being appraised in this report consist of the *fee simple estate* for the subject.

Fee Simple Estate is defined by The Dictionary of Real Estate Appraisal, Fifth Edition, copyright 2010, page 78, by the Appraisal Institute as being:

"Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

Intended Use

The intended use of this appraisal is for mortgage lending decisions.

Wells Fargo reserves the right to use the report for the purposes of syndication with other financial institutions or securitization.

Intended User(s)

This appraisal is for the intended use of the Client only and any user deemed necessary by the client.

Client Identification

Our client and intended user for this assignment is Wells Fargo Bank ("Client"). The report is for the exclusive use of our Client.

Market Value Definition

“Market Value,” as used in this report, is defined as:

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

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

Source: “(12 C.F.R. Part 34.42(g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994); Appraisal Institute, The Dictionary of Real Estate Appraisal, Fifth Edition, (Chicago, 2010) Page 123”

The appraisal considers the valuation of the subject property as of the effective date referenced herein. In determining the valuation of the property, we will consider the market value under conditions prevalent at that time. Establishing the effective date of the appraisal is standard appraisal practice, and it is important to consider because value is subject to change over time. Aside from possible physical changes to the property, the value of real estate is also subject to changing economic conditions, under which value may remain static, increase, or decrease. Additionally, changing policies of governing authorities may impede or encourage development over time.

These limitations are implicit in the definition of “market value.” For further discussion on this subject, refer to the section of this report entitled “Valuation Procedures and Methodology.” Note that the valuation makes no reduction for commission on sale, unpaid taxes, or liens against the property.

Current Ownership

According to the Comal County Appraisal District, the property is under the ownership of BBD Investments, LLC.

Three-Year Sale History

According to information provided to this office, the property was purchased in 2009 by BBD Investments, LLC for \$895,000 or \$150.07 per square foot. The current owner then completed approximately \$272,000 in renovations by March 2010 to configure the space into an office layout. Currently, the property is not listed for sale or under contract.

Property Overview

The subject property is a two (2) story office building located on 0.4210 acres of land. The subject is currently 100% occupied by three (3) related party entities totaling 5,815 square feet. Legacy Commercial Real Estate and TCOR Insurance Agency, LTD occupy the first floor and Petram Measurements, LLC occupies the entire second floor.

Scope of Work

According to the Uniform Standards of Professional Appraisal Practice, it is the appraiser's responsibility to determine the appropriate scope of work. USPAP defines the scope of work as:

The amount and type of information researched and the analysis applied in an assignment. Scope of work includes, but is not limited to, the following:

- the degree to which the property is inspected or identified;
- the extent of research into physical or economic factors that could affect the property;
- the extent of data research; and
- the type and extent of analysis applied to arrive at opinions or conclusions.

The following information defines the Scope of Work taken by the appraiser(s):

Report Type:	Summary Report Format
Inspection:	The inspection date was September 5, 2012
Market Analysis and Market Conditions:	Stable
Highest and Best Use:	<i>As Vacant</i> – Office Development <i>As Improved</i> – Continued Use as an Office Development
Cost Approach Analysis:	A cost approach was not applied.
Income Approach Analysis:	A complete income approach was applied.
Sales Comparison Approach Analysis:	A complete sales approach was applied.
Notes:	At the request of the Client, we have estimated the “As Is” market value of the subject. We have also provided an Insurable Value.

Market Participant Interviews

At the request of our client, we interviewed several market participants regarding market conditions and specifics that could affect the subject property. A list of these participants is included below:

- **Representatives of Legacy Commercial Real Estate**
- **Representatives of Sperry Van Ness**
- **Representatives of the Planning & Zoning Department, *City of New Braunfels***
- **Representatives of the Comal County Appraisal District**

Competency Statement

Prior to accepting this assignment, the appraisers concluded that they have the necessary experience and/or knowledge to competently complete the appraisal, and during the preparation of the appraisal, the appraisers have not discovered any areas in the assignment requiring appraisal expertise which they were lacking.

Marketing Period

Given the existing market information from an historic perspective, as well as the anticipated supply line of directly competing product, the appraisers believe that the subject property, **at the concluded value of this appraisal**, would require a marketing time of approximately **12** months.

Exposure Time

The appraisers have examined the average length of time for similar properties were exposed to the market, and have determined that the average time period in which these properties were exposed to the market was **12** months. The As Is market value as referenced herein is based on a market exposure time of **12** months.

Based on the indicated exposure periods, the value conclusion represents a market price achievable within **12** months exposure prior to the effective date.

Certification Statement

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased professional analyses, opinions and conclusions.
- We have no present or contemplated future interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Practice of the Appraisal Institute.
- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute related to review by its duly authorized representatives.
- Kirk Garza made an inspection of the property that is the subject of this report. Christopher T. Harman did not inspect the subject property.
- Kirk Garza provided significant professional assistance in the development of the conclusions contained in this report.
- We have **not** performed a previous appraisal involving the subject property within the three years prior to this assignment.
- The Appraiser has established sufficient competence to appraise this property through education and experience, in addition to the internal resources of the appraisal firm.
- As of the date of this report, Christopher T. Harman, MAI, CCIM and Kirk Garza are Texas State Certified General Real Estate Appraisers under the authority of the Texas Appraiser Licensing and Certification Board and are authorized to appraise the subject property by the State of Texas Real Estate Appraiser Board.
- As of the date of this report, Christopher T. Harman, MAI, CCIM, has completed the requirements of the continuing education program of the Appraisal Institute.
- As of the date of this report, Kirk Garza has completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members.
- Our value conclusion and other opinions expressed herein are not based on a requested minimum value, a specific value or approval of a loan.



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Limiting Conditions and Assumptions

Acceptance of and/or use of this report constitutes acceptance of the following limiting conditions and assumptions; these can only be modified by written documents executed by both parties.

This appraisal is to be used only for the purpose stated herein. While distribution of this appraisal in its entirety is at the discretion of the client, individual sections shall not be distributed; this report is intended to be used in whole and not in part.

No part of this appraisal, its value estimates or the identity of the firm or the appraiser(s) may be communicated to the public through advertising, public relations, media sales, or other media.

All files, work papers and documents developed in connection with this assignment are the property of HCP Realty Advisors, Inc. Information, estimates and opinions are verified where possible, but cannot be guaranteed. Plans provided are intended to assist the client in visualizing the property; no other use of these plans is intended or permitted.

No hidden or unapparent conditions of the property, subsoil or structure, which would make the property more or less valuable, were discovered by the appraiser(s) or made known to the appraiser(s). No responsibility is assumed for such conditions or engineering necessary to discover them. Unless otherwise stated, this appraisal assumes there is no existence of hazardous materials or conditions, in any form, on or near the subject property.

Unless stated herein, the property is assumed to be outside of areas where flood hazard insurance is mandatory. Maps used by public and private agencies to determine these areas are limited with respect to accuracy. Due diligence has been exercised in interpreting these maps, but no responsibility is assumed for misinterpretation.

Good title, free of liens, encumbrances and special assessments is assumed. No responsibility is assumed for matters of a legal nature.

Necessary licenses, permits, consents, legislative or administrative authority from any local, state or Federal government or private entity are assumed to be in place or reasonably obtainable.

It is assumed there are no zoning violations, encroachments, easements or other restrictions which would affect the subject property, unless otherwise stated.

The appraiser(s) are not required to give testimony in Court in connection with this limited appraisal. If the appraisers are subpoenaed pursuant to a court order, the client agrees to pay the appraiser(s) our regular per diem rate plus expenses.

Appraisals are based on the data available at the time the assignment is completed. Amendments/modifications to appraisals based on new information made available after the appraisal was completed will be made, as soon as reasonably possible, for an additional fee.

If any such allocation is made, the allocation of value between land and building for the subject property applies only under the present program of utilization, and does not apply under any other premise. The allocations of value for land and building must not be used in conjunction with any other appraisal and are invalid if so used.

Limiting Conditions and Assumptions (continued)

We do not authorize the out-of-context quoting from or partial reprinting of this appraisal report. Further, neither all nor any part of this appraisal report shall be disseminated to the general public by the use of media for public communication without the prior written consent of the appraisers signing this appraisal report, particularly as to valuation conclusions, the identity of the appraisers or firm with which they are connected, or any reference to the Appraisal Institute.

There are no hidden or unapparent conditions or defects of the subject property, which would render it more or less valuable than the value opinion rendered, which is based on the property's readily apparent condition. Hidden defects are not the responsibility of the appraisers.

Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraisers. However, the appraisers are not trained or qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers suggesting the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. The presence, if any, of potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption there is no such material on or in the subject property which would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of the routine observations made during the appraisal process. The appraisers recommend that the client should retain the services of a qualified independent engineer or contractor to determine the existence and extent of any hazardous materials, if the existence of hazardous waste substances on the property is a concern.

The writers of the report will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made.

Full compliance with all applicable federal, state, and local environmental regulations and laws, and with all applicable zoning and use regulations, is assumed unless non-compliance or non-conformity is stated, defined, and considered in the appraisal report. Responsible ownership and competent management exists for the property.

The owner of the subject property may be subject to additional financial expenditures in accordance with the Americans With Disabilities Act (ADA), a federal law codified at 42 USC Section 12101 ET SEQ. While numerous requirements of the ADA could affect the subject property, Title III of ADA requires owners and tenants of public accommodations to remove barriers to access by disabled persons and provide auxiliary aids and services for hearing, vision or speech impaired persons by January 26, 1992. The regulations under Title III of ADA are codified at 28 CFR Part 36. The appraisers, however, are not qualified experts as to the subject's compliance or noncompliance under ADA. In recognition of this laws recent enactment, some of the requirements may be subject to interpretation by the legal system. The client/reader is strongly urged to retain the services of a qualified independent expert and, if necessary, receive legal assistance in understanding its contents and in determining the subject's compliance, if this is a cause of concern. The value estimates reported herein are subject to revision should it be determined additional expenditures are required for conformance to ADA.

This is a Summary Appraisal Report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such, it includes full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning data, reasoning, and analyses is retained in the appraisers' file.

The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraisers are not responsible for unauthorized use of this report.

San Antonio Regional Overview

San Antonio is the county seat of Bexar County located in the U.S. state of Texas within the South Texas region. San Antonio, recently the eighth largest city in the United States, has an MSA population of over 2 million persons. San Antonio has grown 20% since 2000. A factor contributing to this growth is the lowest cost of living of any major city in Texas. Companies like the National Security Agency have chosen to relocate their regional headquarters in San Antonio because of the low business costs and large labor force, as well as state and local incentives. The manufacturing industry is expected to grow because of Toyota's decision to open its Tundra manufacturing plant on the south side of the city. The North American Free Trade Agreement (NAFTA) has positively impacted San Antonio by further strengthening the international trade activities already in place. The city has a strong military presence and it is home to Fort Sam Houston, Lackland Air Force Base, Randolph Air Force Base and Brooks City Base.

San Antonio is recognized as one of the country's top tourist destinations, hosting more than 26 million visitors each year. Attractions include The Alamo, Riverwalk, Hemis Fair Plaza, SeaWorld of Texas, Six Flags Fiesta Texas, and a newly-expanded 1.3 million square foot Convention Center. The month of April marks the celebration of Fiesta. The 10-day, city-wide, fun-filled, family-oriented celebration is the biggest party and greatest community benefit in the State of Texas. Because of San Antonio's rich and diverse background, demonstrated by events such as Fiesta, it is said to be the cultural capital of Texas.

San Antonio is a high growth Sunbelt city and is in the 3rd fastest growing metropolitan statistical area in Texas. San Antonio recently passed San Diego to become the 7th largest city in the United States, and the second largest city in Texas. The ongoing population growth has sustained healthy real estate markets in the city for years. It is a center of transportation, particularly that which is oriented to cross-border trade, as the international land port of Laredo, the next city south of San Antonio along Interstate 35, is the busiest land port in the world.

DEMOGRAPHICS

The San Antonio–New Braunfels MSA has a population of over 2 million based on the 2010 U.S. Census estimate, making it the 25th-largest metropolitan area in the U.S and third in Texas. The metropolitan area is bordered to the northeast by Austin–Round Rock–San Marcos, and the two metropolitan areas together combine to form a region of almost 3.7 million people. The population of the San Antonio-New Braunfels MSA is expected to grow an additional 8.47% by 2016.

EDUCATION

Education is a vibrant part of the local economy. San Antonio has a highly educated work force for a city of its size, as over 23.9% of workers have completed at least some college, 17.5% have a Bachelor's degree or higher.

The San Antonio area offers 31 institutes of higher learning, including the main campus of The University of Texas at San Antonio, San Antonio Community College, St. Mary's University, Trinity University, Incarnate Word University, and Our Lady of the Lake University

The University of Texas at San Antonio (“UTSA”), is a state university located in San Antonio, Texas, United States. With an enrollment of over 30,000 students, it is the second-largest of nine separate components in the University of Texas System, the eighth-largest in Texas, and the largest public university in Texas outside of the six flagship universities from the various systems.

The university serves the San Antonio metropolitan area and the South Texas region through three campuses: Main Campus, Downtown Campus in Downtown San Antonio, and Hemisfair Park Campus. The main campus is situated on 600 acres, at the intersection of Interstate 10 and Loop 1604 near the northern edge of San Antonio, Texas in Bexar County. The University of Texas at San Antonio offers 135 undergraduate and graduate programs in different fields including 65 bachelors, 49 masters, and 21 doctoral degree programs. In addition to the educational advantages UTSA offers, the school had a \$1.2 billion economic impact on San Antonio in 2008. As of 2008 the school directly employs 5,628 people. Proposition 4 was passed by Texas voters in November 2009. This piece of legislation named 7 emerging research universities in Texas that could compete for additional state funds in an effort to increase the number of tier 1 institutions in Texas. Factors such as research expenditure, graduate degrees awarded, and scholarly productivity all play a part in which schools receive the most funding. The school spent \$56.8 million for research expenditures in 2011. This represents a five-year increase of 75.8%.

San Antonio Community College (“SAC”), is a community college that is a part of the Alamo Community College District. It is located on San Pedro Avenue, across from San Pedro Park, near downtown San Antonio. SAC is the oldest public two-year college in Texas. The college has an average semester enrollment of 22,028 credit students and an average annual enrollment of 16,000 other-than-credit students. San Antonio College is the largest single-campus community college in Texas and one of the largest in the United States.

Saint Mary’s, Founded in 1852, St. Mary’s is the oldest Catholic university in Texas and the southwest. With a diverse student population of nearly 4,000, St. Mary’s is home to five schools: Humanities and Social Sciences; Science, Engineering and Technology; Bill Greehey School of Business; Graduate; and Law.

The **North East Independent School District (NEISD)** is a school district located in Bexar County, Texas. North East ISD serves the north central and northeast areas of Bexar County, covering approximately 144 square miles. North East ISD serves the cities of San Antonio, Castle Hills, Hill Country Village, Hollywood Park, Windcrest, and portions of Balcones Heights and Terrell Hills

EMPLOYMENT

Over the next 10 years, San Antonio is expected to experience a 3.4% growth in employment each year. The area’s unemployment rate was at only 7.3% in 2011, rising slightly from the preceding year, but still increasing less than most other metro areas of the country. The following chart reflects employment growth by industry in San Antonio compared to the State of Texas. The table below indicates employment statistics for Texas Metropolitan Statistical Areas, highlighting data for San Antonio and the state of Texas.

The following tables include both the Top Twenty Employers in San Antonio.

Top Ten Employers - San Antonio		
Employer	Category	Employees
Lackland Airforce base	Military	37,097
Fort Sam Houston - U.S. Army	Military	32,000
USAA	Insurance	14,832
H-E-B	Grocery Chain	14,588
Northside I.S.D.	School District	13,300
Randolph Air Force Base	Military	11,068
North East I.S. D.	School District	10,522
City of San Antonio	City Government	9,145
San Antonio I.S.D.	School District	7,581
Methodist Healthcare System	Health Care Services	7,500

ECONOMY

Twenty-six million tourists visit the city and its attractions every year, contributing substantially to the city's economy. The **San Antonio Convention Center** alone hosts more than 300 events each year with over 750,000 convention delegates from around the world.

San Antonio's corporate profile includes Valero Energy Corp, USAA, Tesoro Petroleum Corp, Southwest Research Institute, H-E-B, Clear Channel Communications, Rackspace Managed Hosting, and NuStar Energy, LP, and, Toyota Motor Corporation. Located northwest of the city is the South Texas Medical Center, the largest medical research and care provider in South Texas, which is a conglomerate of numerous major hospitals, clinics, and research and higher educational institutions. The center is responsible for a \$12 Billion biomedical industry. It employs some 27,000 persons with a combined total budget of \$2.8 Billion.

SUMMARY

With the positive economic impact of new development from companies like Toyota, and government programs, such as Bridge to 550, and continued job growth, San Antonio is poised for continued growth in the coming years. *Forbes* notes that San Antonio is expected to see a 2% job growth by 2012, leading the way along with Austin, Houston, and Dallas compared to several other US metropolitan areas projected to experience only a 0.2% growth. According to *My San Antonio* the city's economy, even though slowing down, is expected to outperform the country and even the state over the next several years. Finally, San Antonio was ranked first by the *Milken Institute* on its list of *Best Performing Cities in 2011*. While current economic conditions are certainly having an impact on the overall real estate markets, the long term outlook for San Antonio is positive.

Real Estate Market Overview

OFFICE MARKET

According to the *CoStar Office Market Report, Second Quarter 2012*, The San Antonio Office market ended the second quarter 2012 with a vacancy rate of 10.6%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 244,739 square feet in the second quarter. Vacant sublease space increased in the quarter, ending the quarter at 193,897 square feet. Rental rates ended the second quarter at \$19.29, an increase over the previous quarter. A total of 12 buildings delivered to the market in the quarter totaling 198,391 square feet, with 976,835 square feet still under construction at the end of the quarter.

Absorption

Net absorption for the overall San Antonio office market was positive 244,739 square feet in the second quarter 2012. That compares to positive 468,477 square feet in the first quarter 2012, positive 103,847 square feet in the fourth quarter 2011, and positive 163,441 square feet in the third quarter 2011.

Tenants moving out of large blocks of space in 2012 include: US Dept of Justice moving out of 165,194 square feet at The Pyramid Building; Valero Energy Corporation moving out of 36,666 square feet at one Valero Way; and Afni, Inc. moving out of 31,632 square feet at 151 Technology Center - Building B.

Tenants moving into large blocks of space in 2012 include: Argo Group US, Inc. moving into 77,414 square feet at IBC Centre - Building I; Southwest Airlines moving into 60,000 square feet at 11711 IH 35 N; and Tesoro Corporation moving into 57,442 square feet at Ridgewood Park - Building I

The Class-A office market recorded net absorption of positive 93,096 square feet in the second quarter 2012, compared to positive 388,941 square feet in the first quarter 2012, negative (34,209) in the fourth quarter 2011, and negative (16,895) in the third quarter 2011.

The Class-B office market recorded net absorption of positive 91,896 square feet in the second quarter 2012, compared to positive 49,118 square feet in the first quarter 2012, positive 217,540 in the fourth quarter 2011, and positive 200,779 in the third quarter 2011.

The Class-C office market recorded net absorption of positive 59,747 square feet in the second quarter 2012 compared to positive 30,418 square feet in the first quarter 2012, negative (79,484) in the fourth quarter 2011, and negative (20,443) in the third quarter 2011.

Net absorption for San Antonio's central business district was positive 42,876 square feet in the second quarter 2012. That compares to positive 6,549 square feet in the first quarter 2012, positive 71,418 in the fourth quarter 2011, and positive 43,933 in the third quarter 2011.

Net absorption for the suburban markets was positive 201,863 square feet in the second quarter 2012. That compares to positive 461,928 square feet in first quarter 2012, positive 32,429 in the fourth quarter 2011, and positive 119,508 in the third quarter 2011.

Vacancy

The office vacancy rate in the San Antonio market area decreased to 10.6% at the end of the second quarter 2012. The vacancy rate was 10.7% at the end of the first quarter 2012, 11.0% at the end of the fourth quarter 2011, and 10.9% at the end of the third quarter 2011.

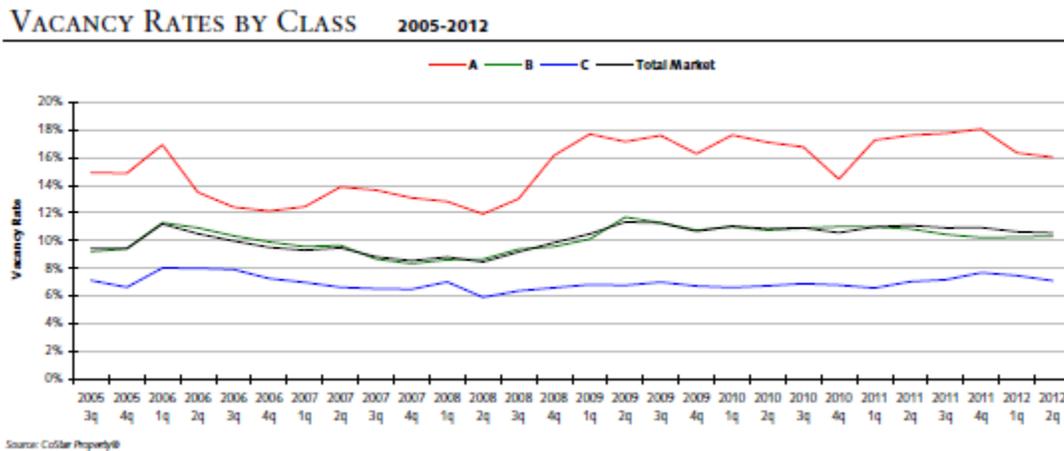
Class-A projects reported a vacancy rate of 16.0% at the end of the second quarter 2012, 16.4% at the end of the first quarter 2012, 18.1% at the end of the fourth quarter 2011, and 17.8% at the end of the third quarter 2011.

Class-B projects reported a vacancy rate of 10.3% at the end of the second quarter 2012, 10.3% at the end of the first quarter 2012, 10.2% at the end of the fourth quarter 2011, and 10.5% at the end of the third quarter 2011.

Class-C projects reported a vacancy rate of 7.1% at the end of the second quarter 2012, 7.5% at the end of first quarter 2012, 7.7% at the end of the fourth quarter 2011, and 7.2% at the end of the third quarter 2011.

The overall vacancy rate in San Antonio's central business district at the end of the second quarter 2012 decreased to 13.9%. The vacancy rate was 14.4% at the end of the first quarter 2012, 14.5% at the end of the fourth quarter 2011, and 15.1% at the end of the third quarter 2011. The vacancy rate in the suburban markets changed to 10.1% in the second quarter 2012.

The vacancy rate was 10.1% at the end of the first quarter 2012, 10.4% at the end of the fourth quarter 2011, and 10.3% at the end of the third quarter 2011.



Largest Lease Signings

The largest lease signings occurring in 2012 included: the 60,000-square-foot lease signed by Southwest Airlines at 11711 IH 35 N in the Northeast market; the 57,442-square-foot deal signed by Tesoro Corporation at Ridgewood Park - Building I in the North Central market; and the 39,962-square-foot lease signed by Centene at The Forum Office Complex-Phase II in the Northwest market.

Sublease Vacancy

The amount of vacant sublease space in the San Antonio market increased to 193,897 square feet by the end of the second quarter 2012, from 190,465 square feet at the end of the first quarter 2012. There was 199,756 square feet vacant at the end of the fourth quarter 2011 and 217,123 square feet at the end of the third quarter 2011.

San Antonio's Class-A projects reported vacant sublease space of 37,870 square feet at the end of second quarter 2012, down from the 42,025 square feet reported at the end of the first quarter 2012. There were 92,224 square feet of sublease space vacant at the end of the fourth quarter 2011, and 91,736 square feet at the end of the third quarter 2011.

Class-B projects reported vacant sublease space of 141,775 square feet at the end of the second quarter 2012, up from the 134,188 square feet reported at the end of the first quarter 2012. At the end of the fourth quarter 2011 there were 86,940 square feet, and at the end of the third quarter 2011 there were 94,988 square feet vacant.

Class-C projects reported no vacant sublease space from the first quarter 2012 to the second quarter 2012. Sublease vacancy went from 14,252 square feet to 14,252 square feet during that time. There was 20,592 square feet at the end of the fourth quarter 2011, and 30,399 square feet at the end of the third quarter 2011.

Sublease vacancy in San Antonio's central business district stood at 4,420 square feet at the end of the second quarter 2012. It was 9,221 square feet at the end of the first quarter 2012, 10,140 square feet at the end of the fourth quarter 2011, and 9,221 square feet at the end of the third quarter 2011.

Sublease vacancy in the suburban markets ended the second quarter 2012 at 189,477 square feet. At the end of the first quarter 2012 sublease vacancy was 181,244 square feet, was 189,616 square feet at the end of the fourth quarter 2011, and was 207,902 square feet at the end of the third quarter 2011.

Rental Rates

The average quoted asking rental rate for available office space, all classes, was \$19.29 per square foot per year at the end of the second quarter 2012 in the San Antonio market area. This represented a 0.3% increase in quoted rental rates from the end of the first quarter 2012, when rents were reported at \$19.23 per square foot.

The average quoted rate within the Class-A sector was \$22.73 at the end of the second quarter 2012, while Class-B rates stood at \$18.66, and Class-C rates at \$15.22. At the end of the first quarter 2012, Class-A rates were \$23.02 per square foot, Class-B rates were \$18.56, and Class-C rates were \$15.30.

The average quoted asking rental rate in San Antonio's CBD was \$18.67 at the end of the second quarter 2012, and \$19.38 in the suburban markets. In the first quarter 2012, quoted rates were \$18.60 in the CBD and \$19.33 in the suburbs.

Deliveries and Construction

During the second quarter 2012, 12 buildings totaling 198,391 square feet were completed in the San Antonio market area. This compares to 15 buildings totaling 299,791 square feet that were completed in the first quarter 2012, eight buildings totaling 138,937 square feet completed in the fourth quarter 2011, and 44,240 square feet in seven buildings completed in the third quarter 2011.

There were 976,835 square feet of office space under construction at the end of the second quarter 2012.

Some of the notable 2012 deliveries include: One Randolph Brooks Parkway, a 120,000-square-foot facility that delivered in first quarter 2012 and is now 100% occupied, and Broadway Bank New Administration Building, an 80,000-square-foot building that delivered in first quarter 2012 and is now 100% occupied.

The largest projects underway at the end of second quarter 2012 were NuStar Energy Corporate Campus, a 300,000-square-foot building with 100% of its space pre-leased, and Nationwide Westover Hills Center, a 300,000-square-foot facility that is 100% pre-leased.

Inventory

Total office inventory in the San Antonio market area amounted to 67,371,220 square feet in 3,323 buildings as of the end of the second quarter 2012. The Class-A office sector consisted of 11,573,209 square feet in 79 projects. There were 1,355 Class-B buildings totaling 40,211,212 square feet, and the Class-C sector consisted of 15,586,799 square feet in 1,889 buildings. Within the Office market there were 111 owner-occupied buildings accounting for 5,030,313 square feet of office space.

Submarket Overview

As noted in this report the subject property is located in the Comal County submarket within the San Antonio MSA. Currently vacancy rates within this submarket average 5.40% with rents averaging \$15.67 per square foot/year. Additionally, there was one (1) new office building delivered in the 2Q12 and there is one (1) office building currently under construction that totals 4,000 square feet.

ECONOMIC OVERVIEW

NATIONAL EMPLOYMENT

According to the U.S. Bureau of Labor Statistics, nonfarm payroll employment rose by 163,000 in July, and the unemployment rate was essentially unchanged at 8.3 percent. Employment rates increased in professional and business services and other major industries such as retail trade, health care, transportation and warehousing changed little over the month.

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2002	5.7	5.7	5.7	5.9	5.8	5.8	5.8	5.7	5.7	5.7	5.9	6.0
2003	5.8	5.9	5.9	6.0	6.1	6.3	6.2	6.1	6.1	6.0	5.8	5.7
2004	5.7	5.6	5.8	5.6	5.6	5.6	5.5	5.4	5.4	5.5	5.4	5.4
2005	5.3	5.4	5.2	5.2	5.1	5.0	5.0	4.9	5.0	5.0	5.0	4.9
2006	4.7	4.8	4.7	4.7	4.6	4.6	4.7	4.7	4.5	4.4	4.5	4.4
2007	4.6	4.5	4.4	4.5	4.4	4.6	4.7	4.6	4.7	4.7	4.7	5.0
2008	5.0	4.9	5.1	5.0	5.4	5.6	5.8	6.1	6.1	6.5	6.8	7.3
2009	7.8	8.3	8.7	8.9	9.4	9.5	9.5	9.6	9.8	10.0	9.9	9.9
2010	9.7	9.8	9.8	9.9	9.6	9.4	9.5	9.6	9.5	9.5	9.8	9.4
2011	9.1	9.0	8.9	9.0	9.0	9.1	9.1	9.1	9.0	8.9	8.7	8.5
2012	8.3	8.3	8.2	8.1	8.2	8.2	8.3					

Source: Bureau of Labor Statistics (BLS)

ECONOMIC OUTLOOK

According to the *Goldman Sachs Outlook for the US Economy 2012 Report*, fiscal policy was a boost in 2009, roughly neutral in 2010, and in 2011, roughly a 1 percentage point drag. In 2012, the impact depends on upcoming policy decisions. At best from a short-term perspective, if the Obama administration's package passed, which seems quite unlikely, fiscal drag would be neutralized; at worst, if all temporary stimulus expires, a fiscal drag of more than 1 1/2 percentage points of growth in early 2012 is likely. The more likely, middle ground outcome: the administration and Congress agree on tax-related proposals and probably extend the one-year payroll tax cut for one more year. There will be a bigger problem in 2013 with the expiration of the Bush tax cuts, as well as any fiscal stimulus measures.

In addition to the belt tightening in the domestic US, the turmoil in Europe continues to threaten stability, particularly within the banking sector. While a number of measures of financial stress have been elevated in past weeks, there has not been a dramatic impact on real economic data in the US. In spite of this, America remains concerned that tighter credit conditions could slow growth over the next few quarters. While recession is not forecasted, the combination of slightly tighter fiscal policy and potential financial shock from the crisis could result in weaker growth in the near term.

INFLATION OUTLOOK

Inflation is unlikely to be a significant problem. It has risen significantly by some measures in the last year, but that trend is unlikely to continue.

The US experienced exceptionally low inflation in 2010, but over the last six months, the nation witnessed a rate of inflation well above 2%. There are three components of core inflation that have disproportionately caused the rate to be higher than the Federal Reserve Bank's long-term target:

1. **Rent:** In spite of ample existing home supply, many potential buyers are having trouble obtaining mortgages, and with some homeowners in foreclosure, both populations are being pushed into the rental market. This is a genuine cause for concern going forward.
2. **Vehicles:** Prices have moved higher due to supply chain disruptions from the earthquake in Japan earlier this year. The tragic events that followed reduced supply and increased pricing power for manufacturers, but dynamic will gradually be unwound over coming months as production increases.
3. **Apparel prices:** A temporary surge in commodity prices and higher wages in Asia where the majority of clothing is manufactured has led to higher prices, which is expected to ease somewhat in the coming months.

CONCLUSIONS

- Household finances are gradually getting healthier. Household debt burdens have continued to improve, with the share of income spent on debt service declining. Percent of disposable income allocated to debt service has declined (Source: Federal Reserve Board, Department of Commerce).
- Cyclical sectors have bottomed. While depressed and unlikely to fall much further, these sectors are more likely to experience growth instead of further decline. Homebuilding in particular hasn't kept pace with demographic demands, which position the sector to grow steadily over time.
- Potential for additional Fed action. The Fed can and will deliver more monetary policy stimulus at some point in early 2012, likely by expanding the balance sheet further. While there is skepticism surrounding the Fed's ability to impact the economy at this stage, additional quantitative easing and/or changes in communication can affect both growth and inflation.

TEXAS ECONOMIC OVERVIEW

According to the **Monthly Review of the Texas Economy, August 2012**, by Ali Anari and Mark G. Dotzour, the Texas economy continues to grow at a rate higher than the national average. The state gained 226,800 nonagricultural jobs from July 2011 to July 2012, an annual growth rate of 2.2 percent compared with 1.4 percent for the United States. The state's nongovernment sector added 260,400 jobs, an annual growth rate of 3 percent compared with 1.8 percent for the nation's private sector.

Texas' seasonally adjusted unemployment rate fell to 7.2 percent in July 2012 from 8.1 percent in July 2011. The nation's rate decreased from 9.1 to 8.3 percent. All Texas industries except the information industry had more jobs in July 2012 than in July 2011, but the state's government sector continues to lose jobs. The mining and logging industry ranked first in job creation, followed by the construction industry, the leisure and hospitality industry, and the professional and business services industry.

The mining and logging industry gained 22,800 jobs, an annual employment growth rate of 9.5 percent from July 2011 to July 2012. Texas' construction industry gained 23,000 jobs from July 2011 to July 2012, a 4.1 percent growth rate. Job gains consisted of 7,200 jobs in the construction of buildings industry, 11,500 jobs in the heavy and civil engineering construction industry, and 4,300 jobs in specialty trade contractors.

Leisure and hospitality (arts, entertainment, recreation, accommodations and food services) gained 40,200 jobs from July 2011 to July 2012, an annual growth rate of 3.7 percent. The professional and business services industry gained 49,100 jobs from July 2011 to July 2012, an annual growth rate of 3.7 percent. Job gains consisted of 27,700 jobs in the administrative and support and waste management and remediation, 20,700 jobs in professional, scientific and technical services, and 700 jobs in management of companies and enterprises.

The other services industry (repair and maintenance, personal and laundry services, religious, civic and professional organizations) gained 12,000 jobs over the year, a 3.2 percent increase. The state's transportation, warehousing and utilities industry gained 13,200 jobs over the year, a 3.1 percent growth rate. Texas' education and health services industry added 44,100 jobs from July 2011 to July 2012, an annual growth rate of 3.1 percent. Job gains consisted of 33,500 jobs in the state's health services industry and 10,600 jobs in the state's education industry.

The state's manufacturing industry gained 19,500 jobs from July 2011 to July 2012, an annual growth rate of 2.3 percent. Job gains comprised 18,900 jobs in the state's durable manufacturing and 600 jobs in the state's nondurable manufacturing. Major job gains in the state's durable goods manufacturing industry were in fabricated metal product manufacturing (9,300 jobs), machinery manufacturing (7,400), primary metal manufacturing (1,500), transportation equipment manufacturing (4,900), and electric equipment, appliance and component manufacturing (500). Major job losses in the state's durable goods manufacturing industry were in nonmetallic mineral products (1,500), wood product manufacturing (1,100), and computer and electronic product manufacturing (1,300). Major job gains in the state's nondurable manufacturing industry were in chemical manufacturing (1,100), petroleum and coal products manufacturing (300), and beverage and tobacco product manufacturing (300). Major job losses in this industry were in food manufacturing (1,200), printing and related support manufacturing (1,100), and paper manufacturing (400).

Texas' financial activities (finance, insurance, real estate, rental and leasing services) added 12,100 jobs from July 2011 to July 2012, an annual growth rate of 1.9 percent. Job gains consisted of 10,300 jobs in the state's real estate, rental and leasing industry and 1,800 jobs in the state's finance and insurance industry. The trade industry gained 29,100 jobs from July 2011 to July 2012, a 1.7 percent increase. Job gains consisted of 13,500 in wholesale trade and 15,600 jobs in the retail trade industry. Trade is the state's largest industry after government, accounting for 15.9 percent of nonfarm employment. Texas' information industry (internet service providers, web search portals, publishing industries, broadcasting and telecommunications) lost 4,700 jobs from July 2011 to July 2012, a 2.4 percent decline. The state's government sector lost 33,600 jobs from July 2011 to July 2012, an annual decline rate of 1.9 percent. Government job losses consisted of 3,100 in the state's federal government, 21,900 in the state's local government and 8,600 in state government.

Texas Metropolitan Statistical Areas

All Texas metro areas except Killeen-Temple-Fort Hood, Wichita Falls, Beaumont-Port Arthur, Abilene, and Brownsville-Harlingen had more jobs in July 2012 than in July 2011. Texarkana ranked first in job creation followed by Odessa, Corpus Christi, Midland, and Tyler. The Austin-Round Rock-San Marcos metro area's annual employment growth rate from July 2011 to July 2012 was 2.9 percent, ranking it 8th.

The Dallas-Plano-Irving metro area and the Fort Worth-Arlington metro area both posted an annual employment growth rate of 2.1 percent in July 2012. The two metro areas ranked 14th in employment growth rate. The Houston-Sugar Land-Baytown metro area's annual employment growth rate from July 2011 to July 2012 was 3.2 percent ranking it 6th among Texas metro areas in employment growth rate. The San Antonio-New Braunfels metro area had a 1.3 percent annual employment growth rate, ranking it 16th. The state's actual unemployment rate in July 2012 was 7.5 percent. Midland had the lowest unemployment rate followed by Odessa, Amarillo, San Angelo and Abilene.

Neighborhood Information

NEIGHBORHOOD OVERVIEW	
<p>The subject is located in City of New Braunfels, Texas, approximately 35 miles northeast of the San Antonio CBD . It is located within Comal County.</p>	
<p>Neighborhood Boundaries:</p>	
North:	North Market Street
South:	North Seguin Avenue
East:	East Bridge Street
East:	East Zink Street
<p>Access & Transportation: Access to the neighborhood is provided by North Seguin Avenue and East Zink Street.</p>	
<p>Surrounding Land Uses:</p>	
North:	Residential/Retail/Office Development
South:	Residential/Retail/Office Development
East:	Residential/Retail/Office Development
East:	Residential/Retail/Office Development
<p>Public Services: Schools, fire and police protection are considered good for the market area. The subject neighborhood is adequately served by all the typical utilities including water, wastewater service, gas service, electric service and telephone.</p>	
<p>Population Trend: Stable to Increasing</p>	
<p>Range in Improvement Ages: New to 50 years</p>	
<p>Public Transportation: Available</p>	
<p>Development Built-up: 85%+</p>	
<p>Maintenance and Condition: Good</p>	
<p>Property Compatibility: Good</p>	
<p>Appeal and Appearance: Good</p>	
<p>Protection and Adverse Influence: Not adversely impacted by factors that would affect property values</p>	
<p>Development Potential: New development present</p>	
<p>Rental Demand: Stable based on current economic trends</p>	
<p>Neighborhood Access: Good</p>	
<p>Supply and Demand: Demand for properties in Comal County has been increasing, and will likely remain stabilized in close in locations</p>	
<p>Development Trend: New development is limited.</p>	
<p>Value Trend: Relatively Stable to Increasing</p>	
<p>Employment Stability: Stable with job growth in the MSA</p>	
<p>Vacancy Trend: Low vacancy.</p>	
<p>Change in Land Use: New development in subject neighborhood is limited. Change in land use very unlikely.</p>	

Neighborhood Demographics (1, 3 & 5 Mile Rings)



Market Profile

Prepared by Christopher Harman

396 N Seguin Ave, New Braunfels, TX 78130

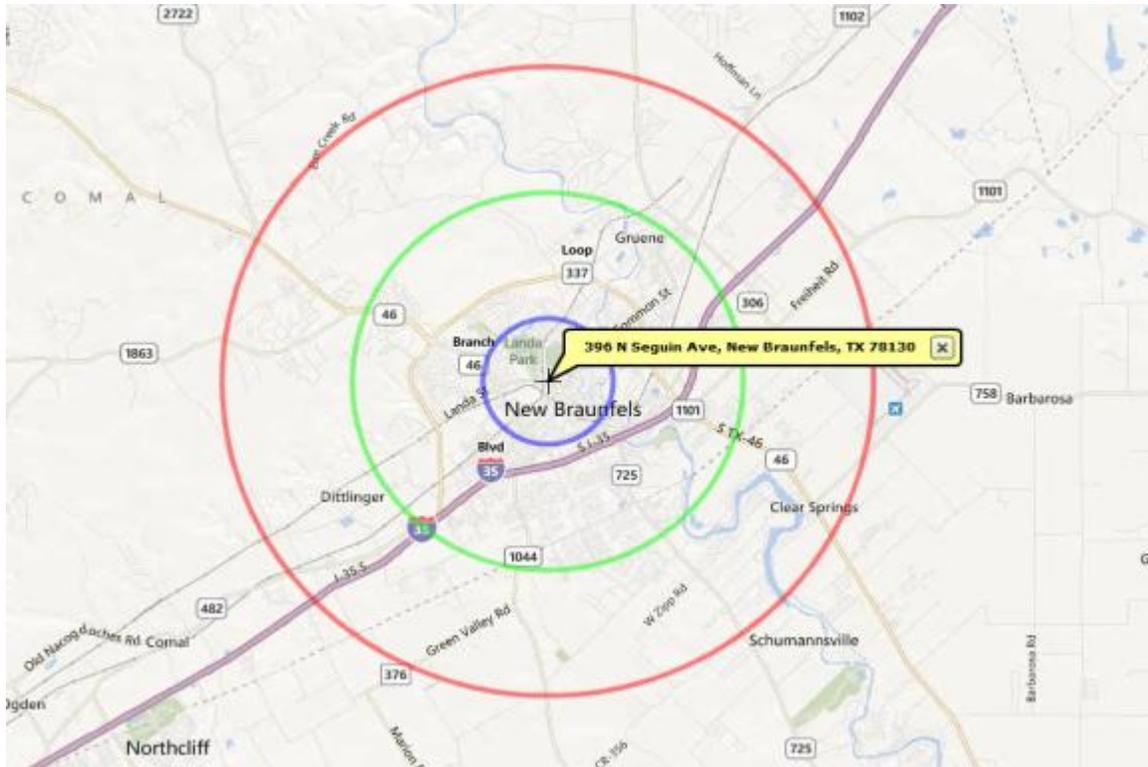
Latitude: 29.704753

Longitude: -98.127193

Ring: 1, 3, 5 Miles	Ring: 1 mile radius	Ring: 3 miles radius	Ring: 5 miles radius
2000 Total Population	5,667	35,505	44,899
2000 Group Quarters	14	1,119	1,184
2010 Total Population	7,004	48,169	65,229
2015 Total Population	7,610	55,050	75,842
2010 - 2015 Annual Rate	1.67%	2.71%	3.06%
2000 Households	2,294	13,190	16,446
2000 Average Household Size	2.46	2.61	2.66
2010 Households	2,872	18,054	23,757
2010 Average Household Size	2.43	2.60	2.69
2015 Households	3,133	20,712	27,651
2015 Average Household Size	2.42	2.60	2.70
2010 - 2015 Annual Rate	1.75%	2.78%	3.08%
2000 Families	1,490	9,361	12,007
2000 Average Family Size	3.08	3.11	3.12
2010 Families	1,791	12,535	17,023
2010 Average Family Size	3.11	3.15	3.21
2015 Families	1,918	14,230	19,639
2015 Average Family Size	3.13	3.17	3.23
2010 - 2015 Annual Rate	1.38%	2.57%	2.90%
2000 Housing Units	2,862	14,394	17,967
Owner Occupied Housing Units	51.1%	58.9%	62.5%
Renter Occupied Housing Units	31.6%	32.2%	29.0%
Vacant Housing Units	17.2%	8.9%	8.6%
2010 Housing Units	3,657	20,128	26,390
Owner Occupied Housing Units	45.9%	56.9%	60.9%
Renter Occupied Housing Units	32.7%	32.8%	29.1%
Vacant Housing Units	21.5%	10.3%	10.0%
2015 Housing Units	4,133	23,635	31,465
Owner Occupied Housing Units	44.9%	55.7%	59.6%
Renter Occupied Housing Units	30.9%	31.9%	28.3%
Vacant Housing Units	24.2%	12.4%	12.1%
Median Household Income			
2000	\$35,539	\$40,306	\$41,869
2010	\$46,991	\$51,293	\$52,216
2015	\$55,494	\$60,759	\$61,010
Median Home Value			
2000	\$72,282	\$91,042	\$93,098
2010	\$108,079	\$135,075	\$135,939
2015	\$133,594	\$169,228	\$169,205
Per Capita Income			
2000	\$17,219	\$18,925	\$19,372
2010	\$22,580	\$23,449	\$23,320
2015	\$25,402	\$26,192	\$25,992
Median Age			
2000	37.0	36.5	36.3
2010	39.3	38.6	38.1
2015	40.5	39.2	38.4

Source: ESRI forecasts for 2010 and 2015; U.S. Bureau of the Census, 2000 Census of Population and Housing

Neighborhood Demographics (1, 3 & 5 Mile Rings)



Subject Property Identification

LOCATION INFORMATION			
Property Name/Address:	BBD/TCOR Office Building 396 North Seguin Avenue New Braunfels, TX 78130		
Market Area Type:	Large	County:	Comal
Census Tract:	3101.00	MSA:	San Antonio
Submarket:	Comal County		
Location Description:	The subject property is located at the northeast corner of North Seguin Avenue and East Zink Street, City of New Braunfels, Comal County, Texas		
Legal Description:	0.4210 acres being part of Lots 247 and 248 of New City Block 2013, City of New Braunfels, Comal County, Texas		

BUILDING OVERVIEW (AS COMPLETE)			
Property Type:	Office		
Gross Building Area (SF):	5,815 Square Feet	Source:	Building Plans
Net Rentable Area (RSF):	5,815 RSF	Source:	Building Plans

ZONING OVERVIEW			
Zoning Designation:	C-2, General Business District		
Height:	75 Feet	Minimum Lot:	N/A
Zoning Description:	According to information provided to this office, the General Business District, C-2, is established to provide for residential and non-residential uses set forth in the Land Use Matrix.		
Conforming Use:	Based on information provided to this office, the property is considered to be a conforming use.		

Subject Property Identification (continued)

LAND INFORMATION			
Gross Land Area (Acres):	0.4210 Acres	Gross Land Area (SF):	18,339 SF
Shape:	Rectangular	Topography:	Level
Primary Frontage:	North Seguin Avenue	Depth:	95 Feet
FEMA Panel Number:	48091C0435F	Panel Date:	9/2/2009
Mapped In Flood Zone:	Yes	Flood Risk:	Moderate
Surplus Land:	No	Excess Land:	No
Encumbrance/Easement:	There are no easements or encumbrances affecting the marketability of the property.		
Environmental Issues:	There are no adverse environmental issues affecting the marketability of the property.		
Comments:	The subject contains 0.4210 acres and is located in shaded Flood Zone X, which is defined as an area of moderate flood hazard, usually the area between the limits of the 100-year and 500-year floods.		

CONSTRUCTION INFORMATION			
Year Built:	1998/2010	Property Condition:	Good
No. of Buildings:	One (1)	No. of Stories:	Two (2)
Actual Age:	14 Years	Estimated Economic Life:	45 Years
Effective Age:	5 Years	Remaining Economic Life:	40 Years
Construction Description:	Stone Masonry		
Roof Description:	Pitched Metal Roof		
Roof Type:	Pitched		
Fire Sprinkler System:	Interior Sprinklers		
HVAC Description:	Package Units		
Construction Comments:	Based on our exterior inspection of the subject, we believe the improvements are of good construction quality and materials.		

Subject Property Identification (continued)

OTHER COMMENTS

Comments: The subject is currently 100% occupied with three related party (3) tenants in 5815 SF. According to information provided to this office, the current owner purchased the property in 2009 and completed approximately \$272,000 in renovations through March 2010.

AT SITE UTILITIES

Water:	City	Capacity:	Adequate
Sewer:	City	Capacity:	Adequate
Gas:	CenterPoint Energy		
Electricity:	City		
Telephone:	AT&T		

OTHER PERTINENT INFORMATION

Quality & Structural Condition:	The overall quality of the proposed facility is considered good for the neighborhood. After a review of the subject's proposed building plans, HCP expects the subject's improvements to be of good quality workmanship and materials. However, HCP is not qualified to determine structural integrity and it is recommended that the client retain the services of a qualified, independent engineer or contractor to determine the structural integrity of the improvements prior to making a business decision.
Functional Utility:	The overall layout of the property as proposed is considered functional in utility and will provide adequate accessibility for its proposed use.
ADA Compliance:	The client/reader's attention is directed to the specific limiting conditions regarding ADA compliance.
Environmental Issues:	HCP has not observed, and is not qualified to detect, the existence of any potentially hazardous materials such as lead paint, asbestos, urea formaldehyde foam insulation, or other potentially hazardous construction materials on or in the improvements. The existence of such substances may have an effect on the value of the property. For the purpose of this assignment, we have specifically assumed that any hazardous materials that would cause a loss in value do not affect the subject.
Economic Life:	We have estimated the economic life of the property based on estimated provided by Marshall Valuation Services and our experience in valuing similar property types. It should be noted that the effective age of the property as estimated assumes that the property will be well maintained through routine maintenance.

Property Tax Overview

PROPERTY TAX OVERVIEW - AS IS

Taxing Entity Name: BBD Investments, LLC

TAX ID/APN	LAND	IMPROVEMENTS	ASSESSMENT
971	\$186,510	\$289,920	\$476,430
TOTALS	\$186,510	\$289,920	\$476,430

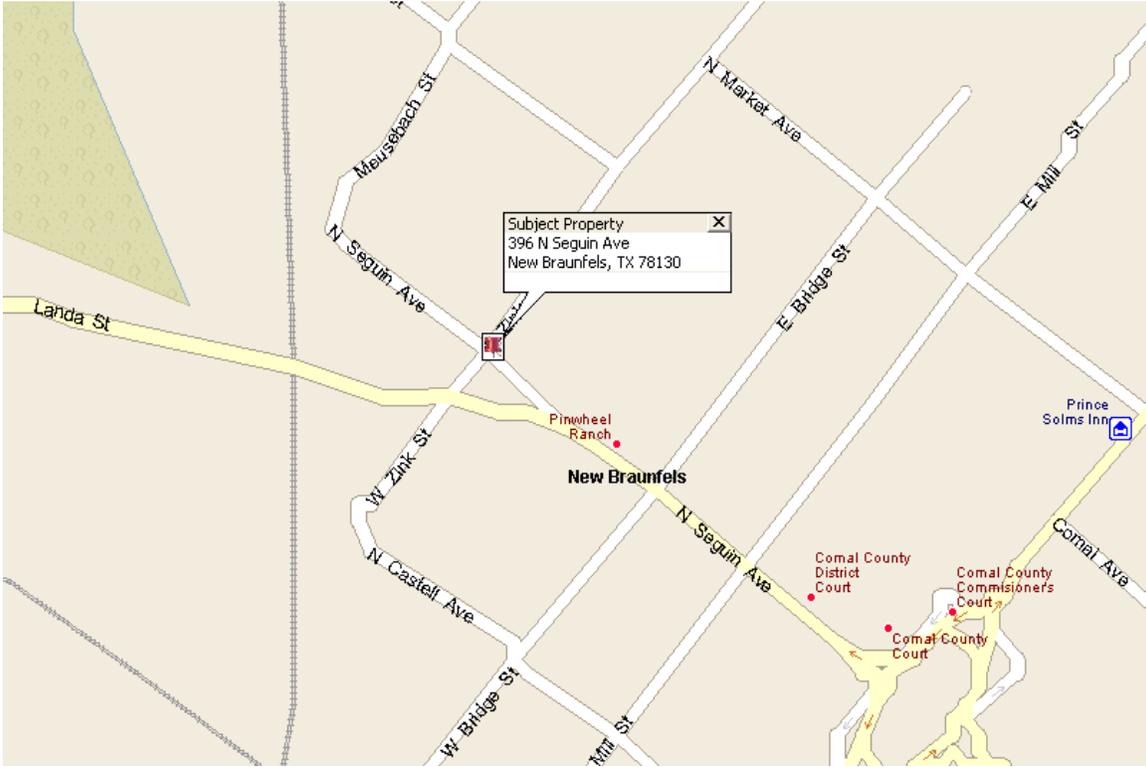
TOTAL ASSESSMENT PSF	\$81.93
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TAXING JURISDICTIONS	TAX RATES	TAX LIABILITY
Comal County	\$ 0.305421	\$ 1,455.12
City of New Braunfels	\$ 0.448362	\$ 2,136.13
Lateral Road	\$ 0.045000	\$ 214.39
New Braunfels ISD	\$ 1.339100	\$ 6,379.87
SUBTOTAL	\$ 2.13788	\$ 10,185.52

SUBJECT PROPERTY'S HISTORICAL ASSESSMENT	
2008	\$ 491,060
2009	\$ 500,480
2010	\$ 470,740
2011	\$ 463,690

COMMENTS	
County Appraisal District:	Comal County Appraisal District
Property Taxes Current:	Yes
Assessed Value vs. Market Value:	Assessed Value is lower than our estimate of market value on an As Is basis.
Comments:	To determine the total tax liability we have utilized the 2012 certified value by the Comal County Appraisal District with the current Comal County Tax Rates.

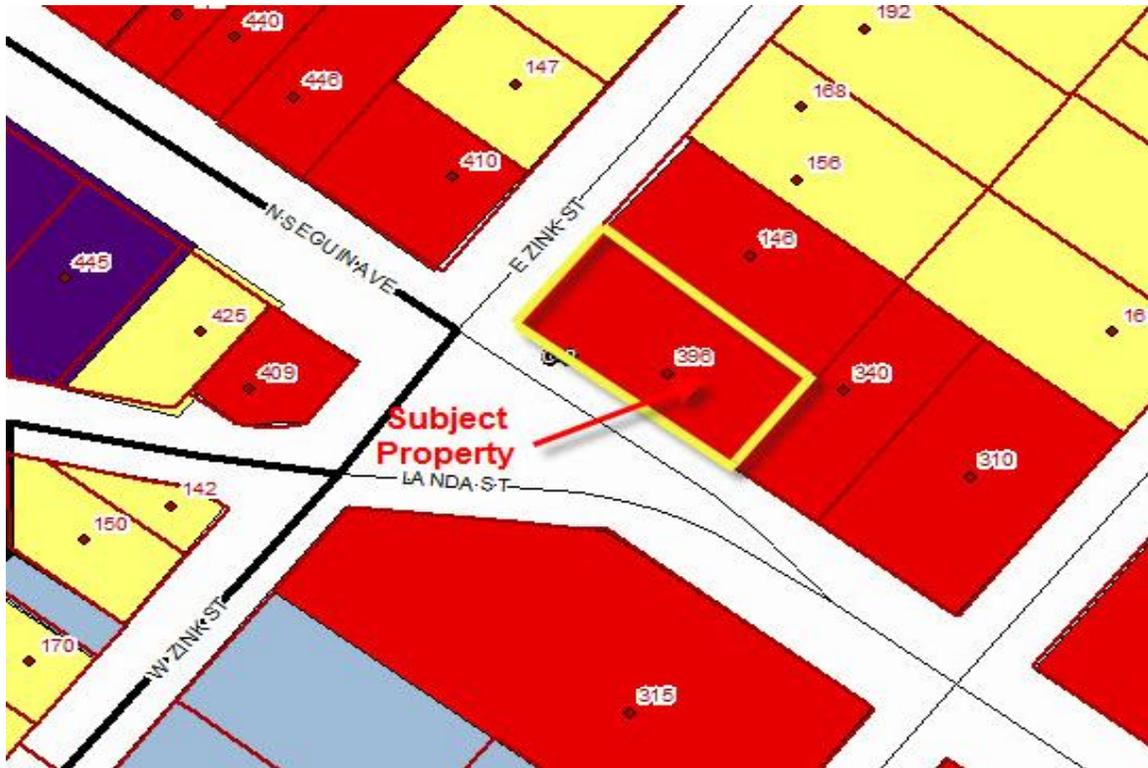
Subject Location Map



Subject Property Aerial Map

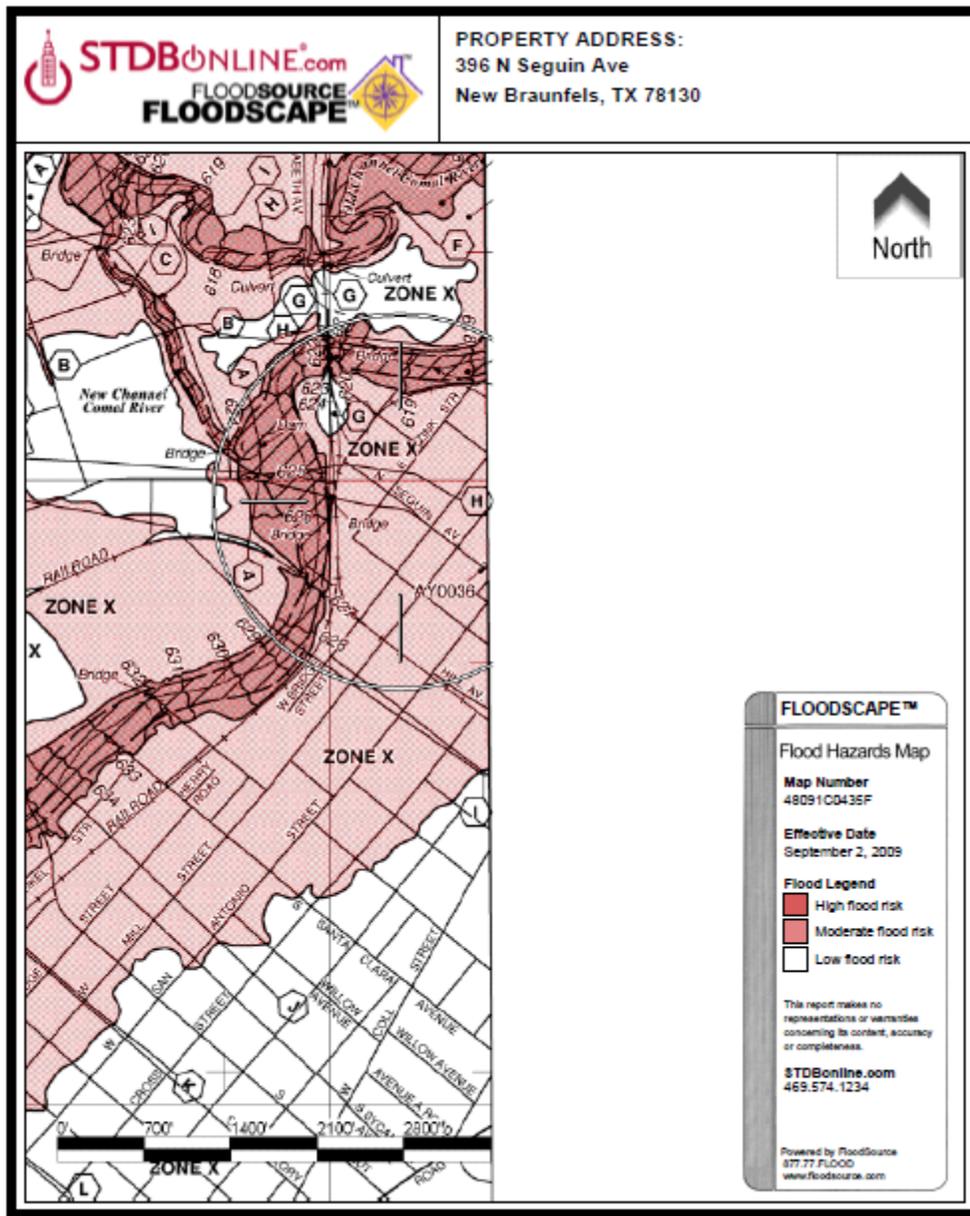


Subject Property Zoning Map



C-2, General Business District – City of New Braunfels

Subject Property Flood Map



Highest and Best Use Analysis

Four criteria are examined in order to determine the highest and best use of the subject property. The criteria and their applicability to the subject, both “as vacant” and “as improved” are as follows:

- ***Legally Permissible:*** a legally permissible use is determined primarily by current zoning regulations. However, other considerations such as long-term leases, deed restrictions, and environmental regulations may preclude some possible highest and best use.
- ***Physically Possible:*** the size, shape and topography affect the uses to which land may be developed. The utility of a parcel is dependent on its frontage and depth. Sites with irregular shapes may be more expensive to develop, and topography or subsoil conditions may make utilization too costly or restrictive. Highest and best use as improved also depends on physical characteristics such as condition and utility.
- ***Financially Feasible:*** the use of the property is analyzed to make a determination as to the likelihood that the property is capable of producing a return which is greater than the combined income needed to satisfy operation expenses, debt service, and capital amortization. Any use that is expected to produce a positive return is classified as financially feasible.
- ***Maximally Productive:*** the use that provides the highest rate of return among financially feasible uses is the highest and best use. The use of the land must yield a profitable net return, and the quantity of land devoted to any specific use must be limited to that quantity which will yield a maximum return to each owner.

HIGHEST & BEST USE ANALYSIS - AS VACANT

LEGALLY PERMISSIBLE

According to information provided to this office, the General Business District, C-2, is established to provide for residential and non-residential uses set forth in the Land Use Matrix.

Zoning Designation: C-2, General Business District

PHYSICALLY POSSIBLE

The size, shape, and terrain are conducive for many types of development. The utilities serving the subject site are adequate for their current use. The property has average visibility from roadways. The subject's size is sufficient to allow development of most legally permissible uses. The subject site's physical aspects do not impose physical limitations on development for the above legally permissible uses.

Land Size (Acres): 0.4210
Shape: Rectangular
Topography: Level

FINANCIALLY FEASIBLE

Financially feasible refers to legal uses which are physically possible and have a sufficient demand to produce a positive return. Once the physically possible and legally permissible potential land uses have been determined, the next step in estimating the highest and best use is to determine which uses are economically feasible. A majority of office properties in the subject's immediate area are stabilized. Based upon these observations, these uses would reflect one of the highest and best uses.

MAXIMALLY PRODUCTIVE

With consideration to the highest legal use as allowed by the development regulations, consideration must be given to the financial consequences of building other uses on the site. The returns to the investor can be tested to establish which would return the most to the site. The financial return is tested and an analysis is made of a cash-on-cash return of the legal uses. The cost of operations of the possible property types is also considered.

HIGHEST & BEST USE ANALYSIS - AS IMPROVED

LEGALLY PERMISSIBLE

Zoning Designation: C-2, General Business District

Based on information provided to this office, the property is considered to be a conforming use.

PHYSICALLY POSSIBLE

The physical characteristics of the subject improvements were discussed in detail within the Subject Property Identification section of this report. The overall design and functionality of the improvements are considered good for their intended use. While it would be physically possible for the property to handle a wide variety of uses, based on the design of the improvements, the most functional use of the property would be for office use.

FINANCIALLY FEASIBLE

Financially feasible refers to legal uses which are physically possible and have a sufficient demand to produce a positive return. Once the physically possible and legally permissible potential uses have been determined, the next step in estimating the highest and best use is to determine which uses are economically feasible. The building is generally considered to have good overall design and quality compared to competing properties in the subject's competitive market area. The design of the improvements and layout of the project are acceptable in the market and represent maximum utilization of the site as improved. Therefore, the current use does reflect one of the highest and best uses of the site as improved.

MAXIMALLY PRODUCTIVE

With consideration to the highest legal use as allowed by the development regulations, consideration must be given to the financial consequences of building other uses on the site. The returns to the investor can be tested to establish which would return the most to the site. The financial return is tested and an analysis is made of a cash-on-cash return of the legal uses. The cost of operations of the possible property types is approximately the same on a percentage basis.

Highest and Best Use Analysis - Conclusion

HIGHEST & BEST USE ANALYSIS - CONCLUSION

The subject neighborhood is located within New Braunfels in Comal County. The subject is located within an area where office development is predominant. Additionally, the property size is sufficient for many uses and it benefits from access to North Seguin Avenue and East Fink Street. Given the subject's location and the overall performance of office properties in the area, we believe the highest and best use as improved to be the continued use as an office development.

Highest & Best Use As Vacant: **Office Development**

Highest & Best Use As Improved: **Continued Use as an Office Development**

Valuation Procedures and Methodologies

Current appraisal standards recognize three basic approaches to real estate value. These are identified as the Cost, Income, and Sales Comparison Approaches.

Cost Approach

The Cost Approach to value is developed by two fundamental opinions: the value of the land and the value of the improvements to the land. Initially, the current fair market value of the land is estimated as if unimproved and capable of being put to its highest and best use. The reproduction or replacement cost new of the improvements, less any depreciation, is then added, along with any contributory value of the site improvements. The validity of the resulting value estimate is impacted to varying degrees by the accuracy of the cost estimates and the depreciation estimate. In this instance, the cost approach was **not** applied.

Income Approach

The Income Approach measures value by capitalization of the net income from the real estate. The potential gross income is first estimated based on data derived directly from the market. Deductions are then made for vacancy and collection loss, and normal operating expenses. The resulting net income figure is then converted to a value estimate by any one of several capitalization methods. In this instance, the income approach was applied.

Sales Comparison Approach

The Sales Comparison Approach is based on comparison between the subject property and similar properties which sold within a reasonable period prior to the date of appraisal, and which are capable of providing insight into the valuation of the subject property. Units of comparison are examined and developed and after making the appropriate adjustment for differences such as location and physical characteristics, are then applied to the subject to derive an indication of value. Critical in this valuation methodology, is the availability of sufficient market comparables with which to make valid comparisons. In this instance, the sales comparison approach was applied.

The Income Approach

This approach to value is predicated on the premise that the property is designed to return a flow of income to the owner when properly developed. The theory of the income approach advocates that the value of the property is the present worth of the net income it will produce during the remainder of its economic life. An investor or perspective purchaser should consider the income producing ability of the property and the expected return on his investment.

The income approach measures market value by determining the price that open market conditions would justify paying for a particular property's net income stream. This is specifically accomplished for an appraisal by discounting the property's projected net income into present value by use of a capitalization rate derived from sales of comparable properties. The property's net operating income is the key term.

Net operating income is generally arrived at through a process that determines prevailing open market rents, rates of vacancy and collection loss, and expenses necessary to operate the property and service the tenants. Prevailing market rates of vacancy and collection loss and operating expenses are deducted from prevailing market rent to produce the property's projected net income.

It is important to note that: (1) Vacancy and collection loss is a projection over the entire economic life of the property, not that which occurs at a given point in time, (2) For appraisal purposes, income taxes, depreciation, debt service, capital improvements, franchising fees, and business expenses of the owner are excluded from operating expenses since they are expenses of the owner and not of the property, (3) The proper rental for the property is that prevailing in the marketplace as of the appraisal date and not that which is carried over from old lease arrangements.

Economic net income is converted to a value indication under this approach by application of an overall capitalization rate, which is derived from market sales occurring during the applicable period, as well as comparison with prevailing market data. The overall rate includes provisions for a market rate of return on the investment as well as recapture of the investment.

Comparable Rental Analysis

A survey of economic data for similarly situated properties in the area was conducted to determine appropriate economic parameters with which to derive a valid conclusion of value based on the stabilized income generating capabilities of the subject property.

Since the subject produces a revenue stream based on its existing leases, it is critical to analyze income-generating characteristics of other similarly situated properties to provide the most complete portrait of the manner in which the market for the uses represented in the subject sets rental rates.

The appraisers examined lease rates for properties in the local market as this is determined to be the sphere of immediate competition for the subject.

Market Rent Comparable 1

Location Information

2810 Oak Run Parkway	Market Type:	Large
2810 Oak Run Parkway	Tax IDs/APNs:	143290
New Braunfels, TX 78132	Property Type:	Office

Property Information

Gross Rentable Area (SF):	7,250	Occupancy:	55%
Property Condition:	Good	Year Built:	2012
Number of Stories:	One (1)	Submarket:	Comal County
Zoning:	C-2, City of New Braunfels	County:	Comal
Land Size (Acres):	1.09500	Land to Building Ratio:	6.58 : 1

Lease Terms

Effective Rental Rate:	\$17.40	Rate Monthly or Annual:	Annual
Lease Terms:	NNN	Term of Lease:	Negotiable
Confirmed By:	Broker		

Comments

Property Remarks: The property is located along the south line of Oak Run Parkway, between Hunters Trail and Hunters Village. The rent referenced above is reflective of the current asking rates for a 1,850 SF and 1,448 SF suite in the building.

Market Rent Comparable 2

Location Information

Walnut Place Professional Offices

1423 North Walnut Avenue
New Braunfels, TX 78130

Market Type: Large
Tax IDs/APNs: 28801
Property Type: Office

Property Information

Gross Rentable Area (SF):	6,960	Occupancy:	43%
Property Condition:	Good	Year Built:	2000
Number of Stories:	One (1)	Submarket:	Comal County
Zoning:	C-2, City of New Braunfels	County:	Comal
Land Size (Acres):	1.0000	Land to Building Ratio:	6.26 : 1.00

Lease Terms

Effective Rental Rate:	\$15.60	Rate Monthly or Annual:	Annual
Lease Terms:	NNN	Term of Lease:	Negotiable
Confirmed By:	Broker		

Comments

Property Remarks: The property is located along the south line of North Walnut Avenue, between Kerlick Lane and Walker Circle. The rent referenced above is reflective of the current asking rates for a 1,500 SF and 2,450 SF suite available in the building.

Market Rent Comparable 3

Location Information

952 Gruene Road	Market Type:	Large
952 Gruene Road	Tax IDs/APNs:	131371
New Braunfels, TX 78130	Property Type:	Office

Property Information

Gross Rentable Area (SF):	1,610	Occupancy:	0%
Property Condition:	Good	Year Built:	2011
Number of Stories:	Two (2)	Submarket:	Comal County
Zoning:	C-2, City of New Braunfels	County:	Comal
Land Size (Acres):	2.8700	Land to Building Ratio:	77.65 : 1.00

Lease Terms

Effective Rental Rate:	\$18.24	Rate Monthly or Annual:	Annual
Lease Terms:	NNN	Term of Lease:	Negotiable
Confirmed By:	Broker		

Comments

Property Remarks: The property is located along the east line of Gruene Road, between Hanz Drive and Gruene Leaf Drive. The rent referenced above is reflective of the asking rate for the entire 1,610 SF building.

Market Rent Comparable 4

Location Information

Canyon Vista Office - Suite 902	Market Type:	Large
1619 East Common Street	Tax IDs/APNs:	151512/151513
New Braunfels, TX 78130	Property Type:	Office

Property Information

Gross Rentable Area (SF):	2,000	Occupancy:	0%
Property Condition:	Good	Year Built:	2007
Number of Stories:	One (1)	Submarket:	Comal County
Zoning:	C-2, City of New Braunfels	County:	Comal
Land Size (Acres):	4.6930	Land to Building Ratio:	102.21 : 1.00

Lease Terms

Effective Rental Rate:	\$15.48	Rate Monthly or Annual:	Annual
Lease Terms:	NNN	Term of Lease:	5 Years
Confirmed By:	Broker		

Comments

Property Remarks: The property is located along the north line of East Common Street, between Village Way and Gruene Road. The rent referenced above is reflective of the current asking rates for the 2000 SF suite.

Market Rent Comparable 5

Location Information

251 South Seguin Avenue	Market Type:	Large
251 South Seguin Avenue	Tax IDs/APNs:	91
New Braunfels, TX 78130	Property Type:	Office

Property Information

Gross Rentable Area (SF):	3,500	Occupancy:	77%
Property Condition:	Good	Year Built:	1890/1988
Number of Stories:	One (1)	Submarket:	Comal County
Zoning:	C-2, City of New Braunfels	County:	Comal
Land Size (Acres):	0.211	Land to Building Ratio:	2.63 : 1

Lease Terms

Effective Rental Rate:	\$15.60	Rate Monthly or Annual:	Annual
Lease Terms:	NNN	Term of Lease:	Negotiable
Confirmed By:	Broker		

Comments

Property Remarks: The property is located along the north line of South Seguin Avenue, between Main Plaza and West Coll Street. The rent referenced above is reflective of the current asking rates for a 800 SF suite available in the building.

COMPARABLE RENT PHOTOS



Market Rent Comparable 1
2810 Oak Run Parkway
2810 Oak Run Parkway
New Braunfels, TX 78132



Market Rent Comparable 4
Canyon Vista Office - Suite 902
1619 East Common Street
New Braunfels, TX 78130



Market Rent Comparable 2
Walnut Place Professional Offices
1423 North Walnut Avenue
New Braunfels, TX 78130

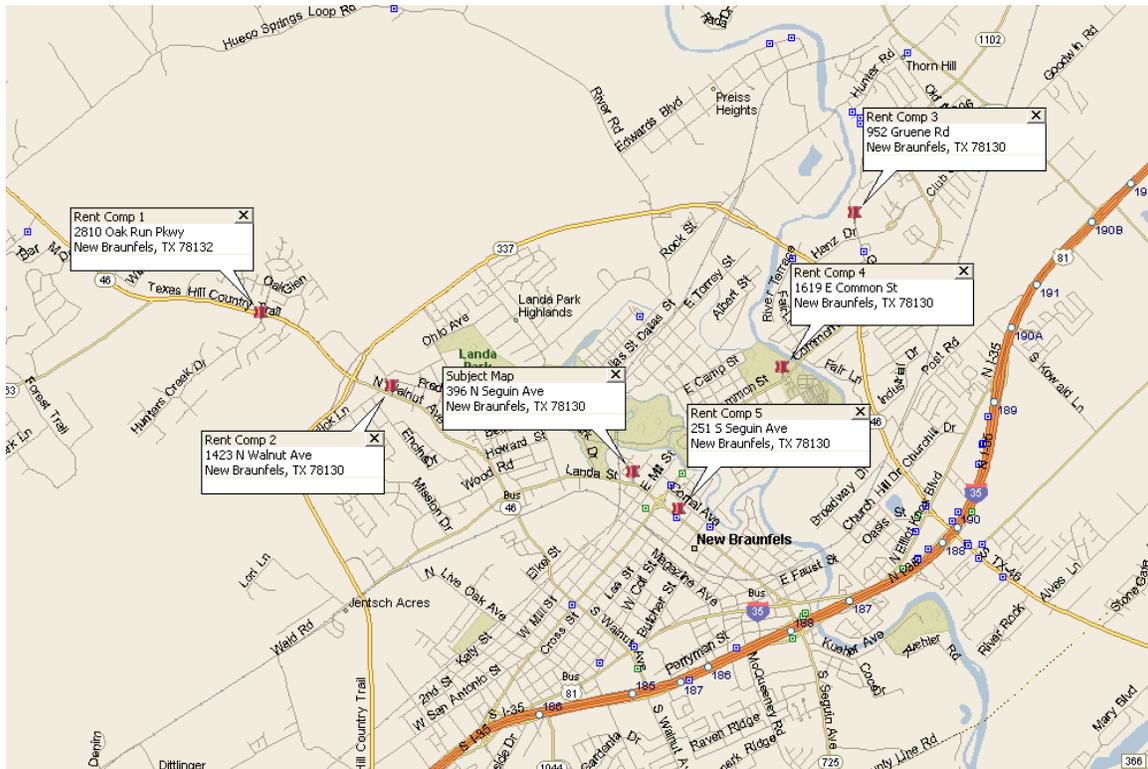


Market Rent Comparable 5
251 South Seguin Avenue
251 South Seguin Avenue
New Braunfels, TX 78130



Market Rent Comparable 3
952 Gruene Road
952 Gruene Road
New Braunfels, TX 78130

Comparable Rental Location Map



Rental Comp Analysis with Adjustments

Subject		Rent 1	Rent 2	Rent 3	Rent 4	Rent 5
Name	BBD/TCOR Office Building	2810 Oak Run Parkway	Walnut Place Professional Offices	952 Gruene Road	Canyon Vista Office - Suite 902	251 South Seguin Avenue
Address	396 North Seguin Avenue	2810 Oak Run Parkway	1423 North Walnut Avenue	952 Gruene Road	1619 East Common Street	251 South Seguin Avenue
City, State, Zip	New Braunfels, TX 78130	New Braunfels, TX 78132	New Braunfels, TX 78130	New Braunfels, TX 78130	New Braunfels, TX 78130	New Braunfels, TX 78130
Lease Terms		NNN	NNN	NNN	NNN	NNN
Rentable Area (SF)	5,815	7,250	6,960	1,610	2,000	3,500
Occupancy	100%	55%	43%	0%	0%	77%
Year Built	1998/2010	2012	2000	2011	2007	1890/1988
Condition	Good	Good	Good	Good	Good	Good
Land Area (Acres)	0.4210	1.0950	1.0000	2.8700	4.6930	0.211
Rental Rate Per SF:		\$ 17.40	\$ 15.60	\$ 18.24	\$ 15.48	\$ 15.60
Lease Terms		Comparable	Comparable	Comparable	Comparable	Comparable
Percent Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%
Dollar Adjustment		\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted Price		\$ 17.40	\$ 15.60	\$ 18.24	\$ 15.48	\$ 15.60
Location		Comparable	Comparable	Comparable	Comparable	Comparable
Percent Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%
Dollar Adjustment		\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted Price		\$ 17.40	\$ 15.60	\$ 18.24	\$ 15.48	\$ 15.60
Property Size		Comparable	Comparable	Comparable	Comparable	Comparable
Percent Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%
Dollar Adjustment		\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted Price		\$ 17.40	\$ 15.60	\$ 18.24	\$ 15.48	\$ 15.60
Year Built		Comparable	Inferior	Comparable	Comparable	Inferior
Percent Adjustment		0.0%	10.0%	0.0%	0.0%	15.0%
Dollar Adjustment		\$ -	\$ 1.56	\$ -	\$ -	\$ 2.34
Adjusted Price		\$ 17.40	\$ 17.16	\$ 18.24	\$ 15.48	\$ 17.94
Condition/Market Appeal		Comparable	Comparable	Superior	Inferior	Comparable
Percent Adjustment		0.0%	0.0%	-5.0%	10.0%	0.0%
Dollar Adjustment		\$ -	\$ -	\$ (0.91)	\$ 1.55	\$ -
Adjusted Price		\$ 17.40	\$ 17.16	\$ 17.33	\$ 17.03	\$ 17.94
Net Percent Adjustment		0.0%	10.0%	-5.0%	10.0%	15.0%
Net Percent Adjustment		\$ -	\$ 1.56	\$ (0.91)	\$ 1.55	\$ 2.34
Adjusted Price Per SF		\$ 17.40	\$ 17.16	\$ 17.33	\$ 17.03	\$ 17.94

Discussion and Analysis

Potential Gross Income

In order to estimate the Potential Gross Income (PGI) of the subject we have surveyed and analyzed a number of competing properties throughout the subjects market. The comparable rentals were selected based on their similarity to the subject in location and physical characteristics, particularly with respect to their age/condition, quality of construction, size, and general location. All comparisons were based on annual rent per square foot. Adjustments were then made to the comparables to account for differences in location characteristics and physical characteristics.

According to market participant interviews, typical leases in the subject's submarket are NNN where *the tenant pays their pro rata share of property taxes, insurance, common area maintenance, and management*. The competing properties ranged from \$17.03 to \$17.94 per square foot after adjustments. Based on competing projects, our estimate of market rent for the subject is **\$17.00 per square foot**. *Please note this conclusion is consistent with information provided by market participants.*

SUBJECT PROPERTY – PRESENTATION RENT ROLL

Tenant Name	Premises (RSF)	Pro-Rata Share	Annual Base Rent	Base Rent Per RSF
Subject Property	5,815	100.0%	\$ 98,855	\$17.00
Subtotal	5,815	100.0%	\$ 98,855	\$ 17.00

Gross Potential Rent

The above table reflects the gross potential rent for the subject property at market rates. This equates to an annual potential income of **\$98,855**.

Vacancy and Collection Loss

Our survey of the market indicates that occupancy rates ranging from 0% to 77% in the properties that we surveyed. Given this information and data taken from the market analysis, we have estimated a 5% vacancy and collection loss factor in our analysis. Our estimate above includes an allocation for collection loss of 2%. *Please note our estimate of vacancy also takes into consideration the Comal County Submarket currently has an average vacancy rate of 5.40%.*

Operating Expenses

The market lease structure for the subject represents a *NNN expense structure whereby the tenant pays their pro rata share of property taxes, insurance, common area maintenance, and management.*

Reimbursable Operating Expenses

Property Taxes

As noted previously in the report, property taxes are calculated based on the assessed valuation of the property given the corresponding ad valorem tax rates for the various taxing jurisdictions where the property is located. As noted in the property tax overview section of this report we have estimated the tax liability to equate to \$10,186. This number has been utilized for the purpose of our analysis.

Insurance

This expense covers fire, liability and replacement coverage if the improvements are destroyed. We have estimated insurance for the subject at \$0.30 per square foot, or \$1,745. This estimate is consistent with industry averages for this category.

Common Area Maintenance

This expense covers utilities and interior and exterior repairs of the subject. We have estimated common area maintenance for the subject at \$1.50 per square foot, or \$8,723. This estimate is consistent with industry averages for this category.

Management

This expense covers costs associated with third party management for the subject. For the purposes of our analysis, we have utilized a management expense of 5%. Please note that this is consistent with management rates in the subject properties market area.

Non - Reimbursable Operating Expenses

General & Administrative

This expense covers office supplies and other fees related to the business. We have estimated general & administrative for the subject at \$0.20 per square foot, or \$1,163. This estimate is consistent with industry averages for this category.

Reserves for Replacement

This expense typically includes non-recurring items in need of repair or replacement that may be capitalized including appliances, air conditioning units, roof replacement and hot water heaters. This reserve account establishes an account to fund these items that need to be addressed during the investment holding period. We have estimated reserves for replacement for the subject of \$0.20 per square foot consistent with industry averages for this category.

Net Operating Income

The net operating income is calculated by determining market rents for the vacant space, the actual in-place rents for occupied space and subtracting vacancy, and operating expenses as outlined herein.

Direct Capitalization Analysis

		<u>Annual</u>	<u>Per SF</u>
POTENTIAL GROSS INCOME		\$ 98,855	\$ 17.00
Expense Reimbursements		26,612	4.58
Total Potential Gross Income		<u>\$ 125,467</u>	<u>\$ 21.58</u>
Less: Vacancy	5.0%	(6,273)	(1.08)
TOTAL EFFECTIVE GROSS INCOME		\$ 119,194	\$ 20.50
		<u>Annual</u>	<u>Per SF</u>
OPERATING EXPENSES			
Property Taxes		\$ 10,186	\$ 1.75
Insurance		1,745	0.30
CAM		8,723	1.50
Management	5.0%	5,960	1.02
General & Administrative		1,163	0.20
Reserves for Replacement		1,163	0.20
Total Operating Expenses		<u>\$ 28,938</u>	<u>4.98</u>
NET OPERATING INCOME (After Reserves)		\$ 90,256	\$ 15.52

Overall Rate Derivation – Mortgage/Equity Technique

The appraiser has considered the mortgage/equity technique to arrive at an estimate of value by the Income Approach, since it permits a consideration of all of the factors that comprise an appropriate discount rate (i.e., annual return on equity investment, equity build-up from mortgage amortization, and recognition of possible appreciation or decline in value). The overall capitalization rate is simply the ratio of net annual income (before recapture and debt service) to value. It is that fraction of the total investment which must be collected each year, on the average, to service the debt (principal and interest), yield the required dividends (cash flow and equity build-up), and compensate for appreciation or depreciation.

The equity dividend rate can be calculated using the build-up method. We must consider that real estate, as a commodity, must compete in the marketplace along with other interest-earning investments, including bonds, CDs, money market accounts, stocks and a myriad of other investments. The very nature of real estate indicates that it does not have the liquidity of cash and therefore entails risk. The build-up process is calculated by adding the components of an interest rate to a “safe” rate, which is the rate obtainable on a comparable term Treasury bill or on other relatively safe investments. Allocations are then made for risk, non-liquidity, and other factors, including management of money or entrepreneurial profit return. The equity return rate used in the analysis is calculated after comparing alternative investments. We have the opportunity to interview equity investors throughout the year. Based on these discussions, the equity dividend rate seems to vary widely among investors. An institutional investor may provide a lower cash on cash return based on the quality of the asset, credit profile, etc. while a private equity fund may expect equity returns closer to 18-20%. So we will typically conclude a equity yield rate in the 14% to 16% range based on the quality of the asset depending on the perceived risk of the investment.

In discussions with local lenders and mortgage brokers, we were led to believe that an investor and/or on-the-premises owner with a good credit rating should be able to secure a mortgage with a 20 to 25 year payout at 0.5% to 1.5% over the prime interest rate (as of the date of valuation) in an amount equal to 65% to 75% of the appraised value of the property. The equity dividend rate is a rate required to satisfy an equity investment in the property. We were unable to derive equity dividend rates from the comparable sales, for the reasons cited above.

For this analysis, the appraisers contemplated the following criteria utilized in the Band of Investment summary. The return to the mortgage position is calculated by multiplying the percent of the mortgage position by the mortgage constant for the mortgage rate and amortization period. The return to the equity is calculated by multiplying the percent to the equity position by the yield rate.

MORTGAGE EQUITY BAND OF INVESTMENT ASSUMPTIONS	
Loan To Value Ratio:	75%
Interest Rate:	6.00%
Amortization Period (Years):	25
Equity Dividend Rate:	14%
Project Appreciation:	2%

MORTGAGE EQUITY BAND OF INVESTMENT ANALYSIS

Input Variables & Summary	
Mortgage Ratio (LTV)	75%
Interest Rate	6.00%
Typical Market Points	1.00
Term (Years)	25
Debt Coverage Ratio	1.20
Equity Yield Rate	14.00%
Projection Period (Years)	10
Projected Appreciation	2%
Annual Constant	7.73%
Mortgage Paid Off	23.65%
Sinking Fund Factor (SFF)*	5.17%
Basic Rate	8.38%
Overall Rate	8.30%
Implied Debt Coverage Ratio	1.43
*Sinking Fund Factor @ Equity Yield Rate, Annually for Projection Period Weighted Rate	

Annual Constant	
Present Value	-1
Number of Payments	300
Monthly Interest	0.0050
Monthly Payment	\$0.006443
Monthly Payment	x 12 = Annual Constant
\$0.006443	x 12 = 0.0773162 7.73%

Mortgage Paid Off at End of Holding Period	
0.07731617	0.13322460
+	+
-6.00%	-6.00%
0.0173162	0.0732246
0.236480194	= 23.65%

Sinking Fund Factor					
Equity Yield Rate Divided By (Equity Yield Rate +1) x (-1)					
14.00%	÷	(14.00%	+	1.00%)	x (-1)
14.00%	÷	2.70722	=	0.051713541	= 5.17%

STEP 1					
<u>Mortgage Ratio</u>	x	<u>Annual Constant</u>			
75.00%	x	7.73%	=	5.80%	
<u>Equity Ratio</u>	x	<u>Equity Ratio</u>			
25.00%	x	14.00%			
			Weighted Rate:	=	9.30%

STEP 2 LESS: MORTGAGE PAID OFF (EQUITY BUILD UP)					
<u>Mortgage Ratio</u>	x	<u>MPO</u>	x	<u>SFF</u>	
75.00%	x	23.65%	x	5.17%	-0.92%
					Basic Rate: = 8.38%

STEP 3 LESS: APPRECIATION					
<u>Projected Appreciation</u>	x	<u>SFF</u>			
2.00%	x	5.17%	=	-0.10%	
					Overall Rate: 8.28%
					Rounded To: 8.30%

Debt Coverage Ratio Method					
<u>Debt Coverage</u>	x	<u>Annual Constant</u>	x	<u>LTV</u>	= <u>Cap. Rate</u>
1.20	x	7.73%	x	75.00%	6.96%
1.25	x	7.73%	x	75.00%	7.25%
1.30	x	7.73%	x	75.00%	7.54%
1.35	x	7.73%	x	75.00%	7.83%

The Debt Coverage Method and the Band of Investment Technique ranged from 6.96% to 8.30%. The Improved Sales included herein represent capitalization rates of 7.66% to 8.56%.

Conclusion

Consideration has been given to the relative risk that the subject property represents to a potential investor, and a final capitalization rate of 8.00% is selected as most appropriate, considering all relevant aspects of the subject's economic environment and the relative age of the subject. The 8.00% rate is consistent with the comparable sales.

The total value estimate is as follows:

Direct Capitalization Approach

Net Operating Income	\$ 90,256
Overall Capitalization Rate	<u>8.00%</u>
Income Approach Valuation	\$ 1,128,195
Income Approach Valuation – As Is	\$ 1,130,000

Income Approach

Value via the Income Approach (“As Is”)	\$ 1,130,000
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The Sales Comparison Approach

The Sales Comparison Approach to value compares the subject to similar properties that have sold or are under contract in the same or similar market. This approach is based on the principle of substitution, which states that no commodity has a value greater than a similar commodity offering similar uses, similar utility, and similar function that can be purchased within a reasonable time frame. In other words, the market value of a property is set by the price of acquiring a substitute property, which could provide the owner with similar utility. The principle of substitution also is crucial in reconciling all three approaches to value, as it provides linkage in the underlying determination the subject's market value.

Units of Comparison

Using a common unit of comparison is an effective device to adjust for differences in physical characteristics while controlling for scale or some other factor. This control allows the appraisers to determine the impact of differences in attributes between the subject and comparable sale properties.

As for the subject, the appraisers discussed recent market transactions with area brokers, as well as evaluating the physical attributes of the subject's use type. In both instances, the predominant unit of comparison was sale price per rentable square foot. The following analysis will use this unit.

Elements of Comparison

There are eight major comparison categories that must be considered in the direct sales comparison approach. These include the following:

- | | | | |
|--------------------------|---|----|------------------------------|
| Date of Sale | } | 1. | Property rights conveyed |
| | | 2. | Financing |
| | | 3. | Conditions of Sale |
| | | 4. | Expenditures made after sale |
| Trend Forward | | 5. | Market Trends |
| Appraisal Effective Date | } | 6. | Location of Sale Property |
| | | 7. | Physical Attributes |
| | | 8. | Economic Attributes |

Each of these categories will be addressed in the subsequent analysis, as it relates to the subject.

Sale Selection Criteria

The following selection criteria were used:

Sale Period:	A sale period of January 2010 to the effective date of this appraisal was examined.
Location / Neighborhood:	Sales were taken from the Austin and San Antonio MSA with similar location characteristics as the subject focusing on office properties with similar conditions.
Physical Attributes:	The survey of comparable sales was limited to properties of similar condition and appeal.
Highest and Best Use:	All of the sales were similar buildings with similar zoning uses.

Comparable Sales Analysis

Of the sales reviewed, based on the above criteria, the following sales represent the best available from the market to determine the subject's market potential under this valuation approach. While some are more ideal than others, the appraisers believe that they represent a sufficient sample of the data reviewed to illustrate a sound market-based conclusion for the subject.

The selected comparable sales are presented on the following pages.

COMPARABLE SALE 1

Location Information

21708 Hardy Oak Boulevard 21708 Hardy Oak Boulevard San Antonio, TX 78258	Market Type: Large - Urban Tax IDs/APNs: 737918 Property Type: Office
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Sale Information

Sale Price: \$1,240,000	Sale Price/SF Rentable: \$204.12
Sale Status: Closed	Document No.: 20100180397
Recording Date: November-10	
Rights Conveyed: Fee Simple	
Grantee: Hardy Oak Holdings, LLC	
Grantor: Kathleen K. Tate	
Financing Description: Cash To Selller	

Property Information

Rentable Building Area (SF): 6,075	Year Built: 2000
Occupancy: 0%	Property Condition: Good
Land to Building Ratio: 6.03 : 1.00	No. of Stories: One (1)
Gross Land Area (Acres): 0.8410	Gross Land Area (SF): 36,634

Income & Expense Proforma

		<u>Per SF</u>	
Gross Potential Income: \$	109,350	\$18.00	
Vacancy Allowance:	(5,468)	(\$0.90)	
Effective Gross Income:	103,883	\$17.10	
Operating Expenses:	(3,038)	(\$0.50)	
Net Operating Income:	100,845	\$16.60	
Expense Ratio:	2.92%	Monthly Rent PSF:	\$18.00
Gross Income Multiplier:	11.34		
Overall Capitalization Rate:	8.13%		

Comments

Sale Comment: The property is located along the north line of Hardy Oak Boulevard, between Crescent Oaks and Stone Oak Parkway. Income and Expenses are based on proforma estimates.

COMPARABLE SALE 2

Location Information

180 West Mill Street 180 West Mill Street New Braunfels, TX 78130	Market Type: Large Tax IDs/APNs: 912 Property Type: Office
--	--

Sale Information

Sale Price: 495000	Sale Price/SF Rentable: \$141.43
Sale Status: Closed	Document No.: 201106023671
Recording Date: July-11	
Rights Conveyed: Fee Simple	
Grantee: 180 West Mill Street, LLC	
Grantor: Comal County Mental Health	
Financing Description: Cash to Seller	

Property Information

Rentable Building Area (SF): 3,500	Year Built: 1962
Occupancy: 0%	Property Condition: Good
Land to Building Ratio: 2.58 : 1.00	No. of Stories: One (1)
Gross Land Area (Acres): 0.2070	Gross Land Area (SF): 9,017

Income & Expense Proforma

		<u>Per SF</u>	
Gross Potential Income: \$	45,500	\$13.00	
Vacancy Allowance:	(2,275)	(\$0.65)	
Effective Gross Income:	43,225	\$12.35	
Operating Expenses:	(875)	(\$0.25)	
Net Operating Income:	42,350	\$12.10	
Expense Ratio:	2.02%	Monthly Rent PSF:	\$13.00
Gross Income Multiplier:	10.88		
Overall Capitalization Rate:	8.56%		

Comments

Sale Comment: This property is located at the northwest corner of West Mill Street and West Castell Avenue. Income and Expenses are based on proforma estimates.

COMPARABLE SALE 3

Location Information

5524 Highway 290 West

5524 Highway 290 West
Austin, TX 78735

Market Type: Large - Urban

Tax IDs/APNs: 553375

Property Type: Office

Sale Information

Sale Price: \$930,000

Sale Price/SF Rentable: \$200.91

Sale Status: Closed

Document No.: 2011175052

Recording Date: November-11

Rights Conveyed: Fee Simple

Grantee: House of 8, LLC

Grantor: KKE Building, LLC

Financing Description: Cash to Seller

Property Information

Rentable Building Area (SF): 4,629

Year Built: 2008

Occupancy: 0%

Property Condition: Good

Land to Building Ratio: 15.99 : 1.00

No of Stories: One (1)

Gross Land Area (Acres): 1.6990

Gross Land Area (SF): 74,008

Income & Expense Proforma

		<u>Per SF</u>	
Gross Potential Income: \$	83,322	\$18.00	
Vacancy Allowance:	<u>(4,166)</u>	<u>(\$0.90)</u>	
Effective Gross Income:	79,156	\$17.10	
Operating Expenses:	<u>(3,009)</u>	<u>(\$0.65)</u>	
Net Operating Income:	76,147	\$16.45	
Expense Ratio:	3.80%	Monthly Rent PSF:	\$18.00
Gross Income Multiplier:	11.16		
Overall Capitalization Rate:	8.19%		

Comments

Sale Comment: The property is located along the north line of Highway 290 West, between Monterey Oaks Boulevard and West William Cannon Drive. Income and Expenses are based on proforma estimates.

COMPARABLE SALE 4

Location Information

205 Wild Basin Road 205 Wild Basin Road Austin, TX 78746	Market Type: Large - Urban Tax IDs/APNs: 120038 Property Type: Office
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Sale Information

Sale Price: \$1,695,000	Sale Price/SF Rentable: \$166.47
Sale Status: Closed	Document No.: 2012041690
Recording Date: March-12	
Rights Conveyed: Fee Simple	
Grantee: Tanya Chika Otti	
Grantor: 205 Wild Basin, Inc	
Financing Description: Cash to Seller	

Property Information

Rentable Building Area (SF): 10,182	Year Built: 1980/2003
Occupancy: 0%	Property Condition: Good
Land to Building Ratio: 39.74 : 1.00	No of Stories: One (1)
Gross Land Area (Acres): 9.2900	Gross Land Area (SF): 404,672

Income & Expense Proforma

		<u>Per SF</u>	
Gross Potential Income: \$	155,276	\$15.25	
Vacancy Allowance:	(7,764)	(\$0.76)	
Effective Gross Income:	147,512	\$14.49	
Operating Expenses:	(7,637)	(\$0.75)	
Net Operating Income:	139,875	\$13.74	
Expense Ratio:	5.18%	Monthly Rent PSF:	\$15.25
Gross Income Multiplier:	10.92		
Overall Capitalization Rate:	8.25%		

Comments

Sale Comment: The property is located along the south line of Wild Basin Road, between South Capital of Texas Highway and Bee Cave Road. Income and Expenses are based on proforma estimates. Please note this transaction represents a purchase of three (3) buildings.

COMPARABLE SALE 5

Location Information

Bohl's Plaza 3809 Juniper Trace Bee Cave, TX 78738	Market Type: Large - Urban Tax IDs/APNs: 455403 Property Type: Office
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Sale Information

Sale Price: \$2,300,000	Sale Price/SF Rentable: \$174.24
Sale Status: Closed	Document No.: 2012078999
Recording Date: May-12	
Rights Conveyed: Fee Simple	
Grantee: Mosak Marketing Group, Inc	
Grantor: Trinity 162 Hc, LTD	
Financing Description: Cash to Seller	

Property Information

Rentable Building Area (SF): 13,200	Year Built: 2003
Occupancy: 0%	Property Condition: Good
Land to Building Ratio: 3.30 : 1.00	No of Stories: Two (2)
Gross Land Area (Acres): 1.0000	Gross Land Area (SF): 404,672

Income & Expense Proforma

		<u>Per SF</u>	
Gross Potential Income: \$	198,000	\$15.00	
Vacancy Allowance:	(9,900)	(\$0.75)	
Effective Gross Income:	188,100	\$14.25	
Operating Expenses:	(6,600)	(\$0.50)	
Net Operating Income:	181,500	\$13.75	
Expense Ratio:	3.51%	Monthly Rent PSF:	\$15.00
Gross Income Multiplier:	11.62		
Overall Capitalization Rate:	7.89%		

Comments

Sale Comment: The property is located along the north line of Juniper Trace, between Bee Cave Parkway and Bee Cave Road. Income and expenses are based on proforma estimates.

COMPARABLE SALE 6 - CURRENT LISTING

Location Information

21222 Gathering Oak 21222 Gathering Oak San Antonio, TX 78260	Market Type: Large - Urban Tax IDs/APNs: 1101426 Property Type: Office
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Sale Information

Sale Price: \$1,300,000 Sale Status: Current Listing Recording Date: N/A	Sale Price/SF Rentable: \$216.67 Document No.: N/A
Rights Conveyed: Fee Simple Grantee: N/A Grantor: Bomgaars Enterprises, LLC Financing Description: Cash to Seller	

Property Information

Rentable Building Area (SF): 6,000 Occupancy: 0% Land to Building Ratio: 3.82 : 1.00 Gross Land Area (Acres): 0.5261	Year Built: 2007 Property Condition: Good No of Stories: One (1) Gross Land Area (SF): 115,870
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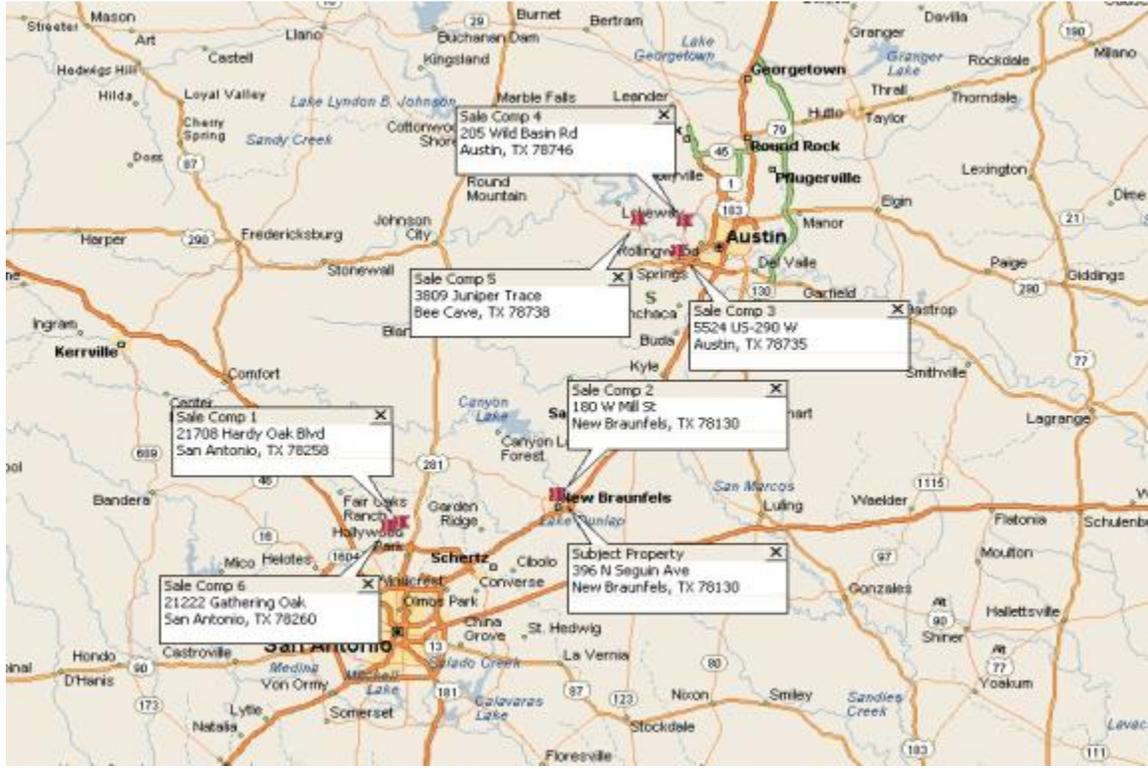
Income & Expense Proforma

		<u>Per SF</u>													
Gross Potential Income: \$	108,000	\$18.00													
Vacancy Allowance:	(5,400)	(\$0.90)													
Effective Gross Income:	102,600	\$17.10													
Operating Expenses:	(3,000)	(\$0.50)													
Net Operating Income:	99,600	\$16.60													
<table style="width: 100%; border: none;"> <tr> <td style="width: 40%;">Expense Ratio:</td> <td style="width: 20%; text-align: right;">2.92%</td> <td style="width: 30%;">Monthly Rent PSF:</td> <td style="width: 10%; text-align: right;">\$18.00</td> </tr> <tr> <td>Gross Income Multiplier:</td> <td style="text-align: right;">12.04</td> <td></td> <td></td> </tr> <tr> <td>Overall Capitalization Rate:</td> <td style="text-align: right;">7.66%</td> <td></td> <td></td> </tr> </table>				Expense Ratio:	2.92%	Monthly Rent PSF:	\$18.00	Gross Income Multiplier:	12.04			Overall Capitalization Rate:	7.66%		
Expense Ratio:	2.92%	Monthly Rent PSF:	\$18.00												
Gross Income Multiplier:	12.04														
Overall Capitalization Rate:	7.66%														

Comments

Sale Comment: The property is located along the east line of Gathering Oak, between Blanco Road and Ranch Oak. Income and Expenses are based on proforma estimates.

Comparable Sales Location Map



COMPARABLE SALE PHOTOS



COMPARABLE SALE 1
21708 Hardy Oak Boulevard
21708 Hardy Oak Boulevard
San Antonio, TX 78258



COMPARABLE SALE 4
205 Wild Basin Road
205 Wild Basin Road
Austin, TX 78746



COMPARABLE SALE 2
180 West Mill Street
180 West Mill Street
New Braunfels, TX 78130



COMPARABLE SALE 5
Bohl's Plaza
3809 Juniper Trace
Bee Cave, TX 78738



COMPARABLE SALE 3
5524 Highway 290 West
5524 Highway 290 West
Austin, TX 78735



COMPARABLE SALE 6 - CURRENT LISTING
21222 Gathering Oak
21222 Gathering Oak
San Antonio, TX 78260

Discussion and Analysis

The following categories were considered and evaluated for the purposes of determining the value of the subject improvements.

TRANSACTIONAL ADJUSTMENTS

Property Rights Conveyed

Adjustments are only necessary if property rights are leased fee ownership. An upward adjustment to a sale is applicable if the subject was not transferred as a fee simple estate, downward adjustments are necessary when a sale was subject to retentions of certain property rights by the seller.

Financing Terms

The transaction price of one property may differ from that of an identical property due to different financial arrangements. In some cases buyers pay higher prices for properties to obtain below market financing. Conversely, interest rates at above-market levels often result in lower sales prices. A condition of sale adjustment recognizes that some sales are transacted by parties under duress, who are at a disadvantage. A combined adjustment results when favorable financing is a function of the sellers' need to sell the property quickly. Most sales involved terms by which the seller received cash or its equivalent at a typical market interest rate and term mortgage.

Conditions of Sale

Adjustments for conditions of sale usually reflect the motivations of the buyer and seller. When non-market conditions of sale are detected in a transaction, the sale must be thoroughly researched before an adjustment is made, and the conditions must be adequately disclosed. Conditions of sale adjustments are rare.

Time/Market Conditions

Comparable sales that occurred under different market conditions than those applicable to the subject on the effective date of value estimate require adjustment for any differences that affect their values. An adjustment for market conditions is made if, since the time the comparable sales were transacted, general property values have appreciated or depreciated due to inflation or deflation or investors' perceptions of the market have changed.

PROPERTY ADJUSTMENTS

Location

A property's location is analyzed in the relation to the location of other properties. Although no location is inherently desirable or undesirable, an appraiser can conclude that the market recognizes that one location is superior than, or inferior than or similar to another. The sales were adjusted accordingly for their location characteristics.

Physical Characteristics

The physical characteristics of a comparable property and the subject property differ in many ways; each of these differences may require comparison and adjustment. Physical differences include differences in quality of construction, architectural style, building materials, age, condition, functional utility, site size, attractiveness, and amenities. On-site environmental conditions may also be considered. Additionally, sales are adjusted for size as compared to the subject with smaller sites requiring a downward adjustment and larger sites requiring an upward adjustment.

Economic Characteristics

Economic characteristics include all the attributes of a property that affect its income. This element of comparison is usually applied to income-producing properties. Characteristics that affect a property's income include operating expenses, quality of management, tenant mix, rent concessions, lease terms, lease expiration dates, renewal options, and lease provisions such as expense recovery clauses. Investigation of these characteristics is critical to proper analysis of the comparables and development of a final value estimate.

Appraisers must take care not to attribute differences in real property rights conveyed or changes in market conditions to different economic characteristics. Caution must also be exercised in regard to units of comparison such as net operating income per unit. NOI's per unit reflect a mix of interactive economic attributes, many of which should only be analyzed in the income capitalization approach. Sales comparison analysis must not be presented simply as a variation of the income capitalization approach, applying the same techniques to reach an identical value indication.

Use

To qualify as comparables properties, the highest and best use of the properties should be similar. Additionally factors such as water and riparian rights, environmental conditions, building codes, and flood zones must also be considered.

Non Realty Components of Value

Non realty components of value include chattel, business concerns, and other items that do not constitute real property but are included in either the sales price of the comparable property or the ownership interest in the subject property.

The following table summarizes our adjustments for each of the comparable sales.

IMPROVED SALES ANALYSIS WITH ADJUSTMENTS (PER SF)

Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	
Name	BBD/TCOR Office Building	21708 Hardy Oak Boulevard	180 West Mill Street	5524 Highway 290 West	205 Wild Basin Road	Bohl's Plaza	21222 Gathering Oak
Address	396 North Seguin Avenue	21708 Hardy Oak Boulevard	180 West Mill Street	5524 Highway 290 West	205 Wild Basin Road	3809 Juniper Trace	21222 Gathering Oak
Location	New Braunfels, TX 78130	San Antonio, TX 78258	New Braunfels, TX 78130	Austin, TX 78735	Austin, TX 78746	Bee Cave, TX 78738	San Antonio, TX 78260
Recording Date		November-10	July-11	November-11	March-12	May-12	N/A
Sale Price		\$ 1,240,000	\$ 495,000	\$ 930,000	\$ 1,695,000	\$ 2,300,000	\$ 1,300,000
Rentable Area	5,815	6,075	3,500	4,629	10,182	13,200	6,000
Land to Bldg Ratio	3.15 : 1	6.03 : 1	2.58 : 1	15.99 : 1	39.74 : 1	3.30 : 1	3.82 : 1
Occupancy	N/A	0%	0%	0%	0%	0%	0%
No. of Stories	Two (2)	One (1)	One (1)	One (1)	One (1)	Two (2)	One (1)
Land Area (Acres)	0.4210	0.8410	0.2070	1.6990	9.2900	1.0000	0.5261
Year Built	1998/2010	2000	1962	2008	1980/2003	2003	2007
Price/Rentable Area Comparison	\$ 204.12	\$ 141.43	\$ 200.91	\$ 166.47	\$ 174.24	\$ 216.67	
TRANSACTIONAL ADJUSTMENTS							
Property Rights Conveyed	Comparable	Comparable	Comparable	Comparable	Comparable	Comparable	Comparable
Percent Adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dollar Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted Price	\$ 204.12	\$ 141.43	\$ 200.91	\$ 166.47	\$ 174.24	\$ 216.67	
Financing Terms	Comparable	Comparable	Comparable	Comparable	Comparable	Comparable	Comparable
Percent Adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dollar Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted Price	\$ 204.12	\$ 141.43	\$ 200.91	\$ 166.47	\$ 174.24	\$ 216.67	
Conditions of Sale	Comparable	Comparable	Comparable	Comparable	Comparable	Superior	Superior
Percent Adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-5.0%
Dollar Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (11)
Adjusted Price	\$ 204.12	\$ 141.43	\$ 200.91	\$ 166.47	\$ 174.24	\$ 205.83	\$ 205.83
Time/Market Conditions	Comparable	Comparable	Comparable	Comparable	Comparable	Comparable	Comparable
Percent Adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dollar Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted Price	\$ 204.12	\$ 141.43	\$ 200.91	\$ 166.47	\$ 174.24	\$ 205.83	\$ 205.83
ADJUSTED PRICE	\$ 204.12	\$ 141.43	\$ 200.91	\$ 166.47	\$ 174.24	\$ 205.83	
PROPERTY ADJUSTMENTS							
Location	Comparable	Comparable	Comparable	Comparable	Comparable	Comparable	Comparable
Percent Adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dollar Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Physical Characteristics	Comparable	Inferior	Superior	Inferior	Inferior	Comparable	Comparable
Percent Adjustment	0.0%	25.0%	-5.0%	10.0%	10.0%	0.0%	0.0%
Dollar Adjustment	\$ -	\$ 35.36	\$ (10.05)	\$ 16.65	\$ 17.42	\$ -	\$ -
Economic Characteristics	Comparable	Comparable	Comparable	Comparable	Comparable	Comparable	Comparable
Percent Adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dollar Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use	Comparable	Comparable	Comparable	Comparable	Comparable	Comparable	Comparable
Percent Adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dollar Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non - Realty Components	Comparable	Comparable	Comparable	Comparable	Comparable	Comparable	Comparable
Percent Adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dollar Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Percent Adjustment	0.0%	25.0%	-5.0%	10.0%	10.0%	0.0%	0.0%
Net Adjustment	\$ -	\$ 35.36	\$ (10.05)	\$ 16.65	\$ 17.42	\$ -	\$ -
Final Adjusted Price	\$ 204.12	\$ 176.79	\$ 190.86	\$ 183.12	\$ 191.67	\$ 205.83	

IMPROVEMENT VALUATION SUMMARY

PRICE PER SQUARE FOOT COMPARISON		
Number of Comparable Sales		6
Maximum	\$	205.83
Mean (Average)	\$	192.06
Minimum	\$	176.79

INDICATED SUBJECT VALUE		
Rentable Area		5,815
Indicated Subject Value Per Unit SF	\$	195.00
Indicated Subject Value	\$	1,133,925
Indicated Value ROUNDED	\$	1,130,000

Conclusion

The subject property as improved was compared to **six (6)** sales of office properties having similar characteristics and located in comparable alternative locations as the subject. The sales were chosen based upon similarity of use, timeliness of sales activity and location issues. Based on the prior analysis, our conclusion of value per the Sales Comparison Approach is as follows:

MARKET VALUE CONCLUSION

\$ 1,130,000

Reconciliation and Final Concluded Value

The pertinent approaches to value have been summarized in this appraisal analysis. A summary of the value conclusions of each of these individual approaches indicates the following:

Cost Approach - <i>The cost of reproducing or replacing the subject property, less depreciation from all sources, plus the land value as determined through market comparison.</i>	N/A
Income Approach - <i>The value which can be supported by the property's net earning capacity, based upon capitalization of the net income imputable to the property.</i>	\$ 1,130,000 – As Is
Direct Sales Comparison Approach - <i>The value as indicated by recent sales of comparable properties, as adjusted to account for all differences in physical, location and economic characteristics.</i>	\$ 1,130,000 – As Is

For the purpose of this analysis we have placed emphasis on the Income and Sales approaches to value. Therefore, the market value of the subject has been concluded as follows:

MARKET VALUE CONCLUSION – AS IS

Appraisal Premise	Interest Appraised	Effective Date	Value Conclusion
As Is	Fee Simple	September 5, 2012	\$ 1,130,000

INSURABLE VALUE – AS IS

Appraisal Premise	Interest Appraised	Effective Date	Value Conclusion
As Is	N/A	September 5, 2012	\$ 610,000

ADDENDA ITEMS

- **Qualifications**
- **Subject Photos**
- **Plat Map**
- **Engagement Letter**
- **Floor Plan**
- **Insurable Value Analysis**
- **Survey**

Christopher T. Harman, MAI, CCIM Qualifications

EXPERIENCE

2001 - CURRENT

Principal of HCP Realty Advisors with offices in Houston, Dallas and Austin, Texas specializing in commercial real estate advisory services including valuation, corporate services and transactional services.

1995 – 2001

Mr. Harman was in charge of global real estate for Enron Corporation based in Houston, Texas.

1989 – 1995

Mr. Harman was a senior real estate consultant with Lewis & Howard, a boutique valuation and advisory firm based in Houston, Texas.

EDUCATION

Southern Methodist University – Dallas, Texas

Bachelor of Science – Economics with Finance Applications (1989)

PROPERTY TYPES APPRAISED

Office Buildings (CBD, Suburban, Single Tenant)

Limited Service & Full Service Hotels

Proposed Development

Convenience Stores

Assisted Living Seniors Housing

Subdivisions

Car washes

Automobile dealerships

Excess & Surplus Land Scenarios

Retail Pad Sites

Market/Feasibility Studies

Office Condominiums

Multi-Family (Mid-Rise, High-Rise & Garden Style)

Data Centers

Vacant Land

LIHTC (Section 42) – Affordable Housing Specialty

Industrial Properties

Self Storage Facilities

Complex Mixed Use Projects

Historic properties

Restaurants

Special Use Properties

ORGANIZATIONS & MEMBERSHIPS

MAI Designation – Appraisal Institute

State of Texas Certified General Real Estate Appraiser – TX-1325053-G

CCIM Designation – Certified Commercial Investment Member

Member ICSC – International Council of Shopping Centers

Licensed Property Tax Consultant – State of Texas

Licensed Texas Broker – TREC 404200

Former Board Member – CoreNet, Treasurer – Houston Chapter

President & Co-Founder - CoreNet Houston Foundation

Real Estate Council of Austin – Active Member

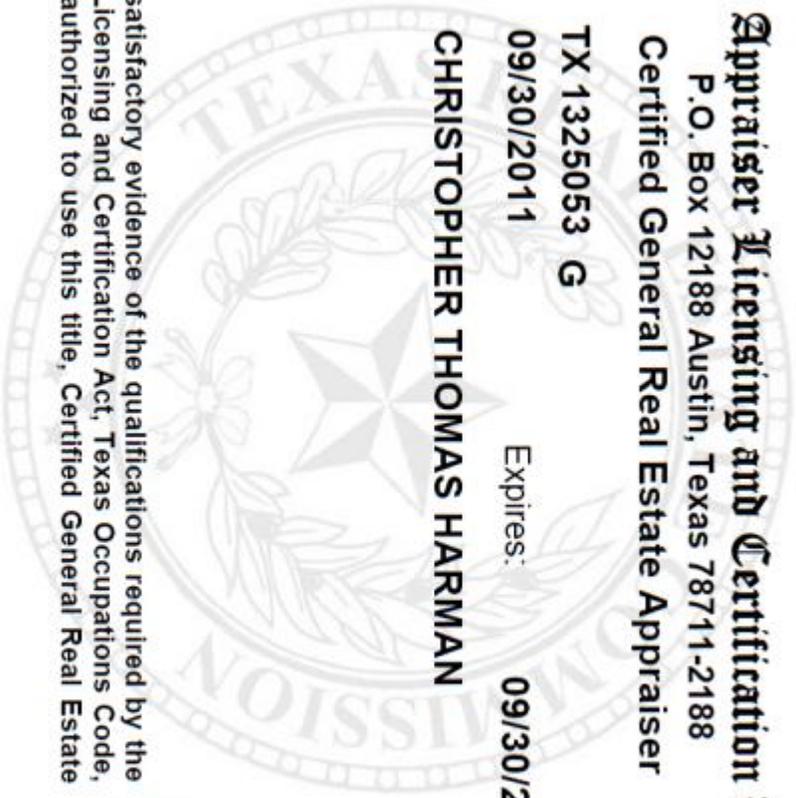
Christopher T. Harman, TX-1325053-G

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

Number: **TX 1325053 G**
Issued: **09/30/2011** Expires: **09/30/2013**
Appraiser: **CHRISTOPHER THOMAS HARMAN**

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


Douglas E. Oldmixon
Commissioner



Kirk A. Garza Qualifications

EXPERIENCE

2008 - CURRENT

Senior Director of HCP Realty Advisors with offices in Houston, Dallas and Austin, Texas specializing in commercial real estate advisory services including valuation, corporate services and transactional services.

2007 - 2008

Mr. Garza was responsible for nationwide multifamily research and underwriting for Beckendorf Investments based in College Station, Texas.

EDUCATION

Texas A&M University – College Station, Texas

Master of Real Estate – Land Economics and Real Estate (2007)

Texas A&M University – College Station, Texas

Bachelor of Science – Economics (2006)

ORGANIZATIONS & MEMBERSHIPS

Associate Member– Appraisal Institute

State of Texas Certified General Real Estate Appraiser – TX-1380039-G

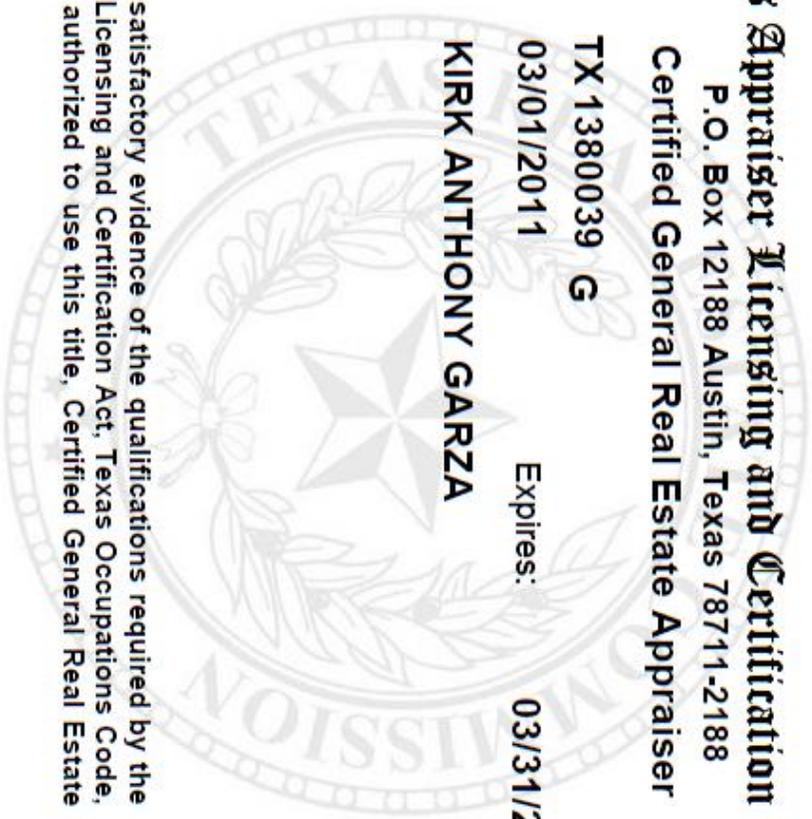
Kirk A. Garza, TX-1380039-G

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

Number: TX 1380039 G
Issued: 03/01/2011 Expires: 03/31/2013
Appraiser: **KIRK ANTHONY GARZA**

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


Douglas E. Oldmixon
Commissioner



Subject Photographs



Subject Photographs



Subject Photographs



Subject Photographs



Subject Photographs



Subject Photographs



Subject Photographs



Subject Photographs



Plat Map



Engagement Letter

The information contained in this award, along with the information contained in the General Appraisal Requirements, Specific Performance Standards, and the General Contractual Requirements referenced in the RFP, as well as all other RFP information, serve as the contract for services to be rendered. If, within 12 months of the date of this assignment, the vendor is contacted to appraise the subject property by any other party than Wells Fargo RETECHS, vendor agrees to notify Wells Fargo RETECHS in writing of the request.

Unless specifically stated otherwise, information provided by the bank or borrower in conjunction with this assignment shall be considered confidential and may not be used except as necessary for the completion of this assignment. Additionally, such information may not be shared or provided to any individual or entity except as necessary for the completion of this assignment, or as required by law or as mandated by appropriate professional standards or organizations such as USPAP and the Appraisal Institute.

This Statement of Work and Award is entered into as of the date of the award by and between Wells Fargo Bank, N.A. (Wells Fargo) and the awarded contractor, pursuant to the Master Agreement for Real Estate Services, dated September 15, 2010; all terms of which are incorporated herein by reference.

Note: Failure to deliver is subject to penalties as defined in the Master Service Agreement. Immediately contact Marc Brooks (HST) 713-319-1473 for any holds, delays, or further required information.

1. Project Name: BBD/ TCOR Office Building
2. Description of Services: As indicated in the RFP
3. Performance Period
 - Start Date: 8/31/2012
 - End Date (if known): 9/14/2012
4. Work Site: 396 N Seguin Ave, New Braunfels, TX 78130
5. Total Costs and Fees: \$2,750
6. Wells Fargo Job Manager: Marc Brooks (HST)

Property Access and Contact Information:

Brannon Brooke
830-643-9506
brannon@tcormanagement.com

Please make contact immediately for access to the property

Include the following statement in the Letter of Transmittal and Intended Use section of the report:

Wells Fargo reserves the right to use the report for the purposes of syndication with other financial institutions or securitization.

Engagement Letter

Delivery Instructions:

(Unless otherwise specified in the attached addendum)

All valuation services requested, which include the report with signatures, all associated exhibits, and any other pertinent supporting documentation, shall be delivered online via RIMSCentral to Wells Fargo Bank-RETECHS, and (if appropriate) via a hard copy to the Wells Fargo Banker or representative. In no case, will any valuation services ever be solely delivered to a Wells Fargo Banker or representative without written authorization from RETECHS. In addition, upload the final invoice separately for payment. The following guidelines provide more specific instructions:

1. Upload to RIMSCentral, under the appropriate assignment, a PDF APPRAISAL REPORT to include:
 - The Recipient information [name, address, etc]
Wells Fargo Bank ù RETECHS
Marc Brooks (HST)
1000 Louisiana St, 4th Floor
Houston, TX 77002
WF-SA-12-029831-01
 - Vendor digital signature
2. Upload to RIMSCentral a copy of the appraiser's state license / certification as an addendum to the appraisal report.
3. Upload to RIMSCentral any other property information used to complete the assignments as stated in the Request for Proposal (RFP)
4. Upload to RIMSCentral the Original Invoice addressed to:

Wells Fargo Bank RETECHS
Marc Brooks (HST)
1000 Louisiana St, 4th Floor
Houston, TX 77002
713-319-1473

Note: If uploading the documents to RIMSCentral is not feasible, please contact RIMSCentral for upload assistance, or the RETECHS Job Manager, Marc Brooks (HST), for additional delivery instructions.

If hard copies were requested per the RFP, only upon authorization via e-mail from a RETECHS representative is the vendor to deliver hard copy or copies:

Deliver to: Greg Lutz (RGBK)
T5641-011
1000 N. Walnut
New Braunfels, TX 78130
830/808-2433

Additional Requirements may be specified in an attached addendum.

Insurable Value Analysis

INSURABLE VALUE ANALYSIS

BBD/TCOR Office Building

396 North Seguin Avenue

New Braunfels, TX 78130

Source: Marshall Valuation Service

	Office Building	Office Building
Section:	15	15
Page:	17	17
Building SF:	5,815	5,815
Building Type:	Good	Good
Building Class:	D	D
Average Story Height (Feet):	12	12
Average Ceiling Height (Feet):	12	12
Base Square Foot Cost	\$117.07	\$117.07
Additional Costs/Add Ons		
Tenant Improvements	\$0.00	\$0.00
TBD	\$0.00	\$0.00
TBD		
Other		
Subtotal Base Cost	\$117.07	\$117.07
Number of Stories Multiplier	1.00	1.00
Story Height Multiplier	1.00	1.00
Area/Perimeter Multiplier	1.00	1.00
Combined height and size multiplier	1.00	1.00
Adjusted Base Cost:	\$117.07	\$117.07
Current Cost Multiplier:	1.00	1.00
Local Cost Multiplier:	1.00	1.00
Final Base Cost:	\$117.07	\$117.07
Non-Perishable Items:	0.90	0.90
Plus/Minus Additional Factor 1	1.00	1.00
Adjusted Replacement Cost	\$105.36	\$105.36
Insurable Value By Building (s)	\$612,668	
Total Insurable Value	\$610,000	

Survey

HBO Investments, LLC
 By: Byron Richardson Boyer, manager

