Appraisal Report

Pine Tree Assisted Living
5128 Pine Avenue
Pasadena, Harris County, Texas 77503

Report Date: February 18, 2015

FOR:
First Commerce Bank
Ms. Lori Harris
105 River Avenue
Lakewood, NJ 08701

Valbridge Property Advisors |
The Gerald A. Teel Company, Inc.

974 Campbell Road, Suite 204
Houston, Texas 77024
(713) 467-5858 phone
(713) 467-0704 fax

valbridge.com

Valbridge File Number:
TX02-15-0089-000

974 Campbell Road, Suite 204
Houston, Texas 77024
(713) 467-5858 phone
(713) 467-0704 fax
valbridge.com

February 18, 2015

Ms. Lori Harris
First Commerce Bank
105 River Avenue
Lakewood, NJ 08701

RE: Appraisal Report
5128 Pine Avenue
Pasadena, Harris County, Texas 77503

Dear Ms. Harris:

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

The subject property is known as Pine Tree Assisted Living, located at 5128 Pine Avenue in Pasadena, Harris County, Texas 77503. The subject is further identified as Assessor's Parcel Numbers (APNs) 0612060120010; 0612060120017; 0612060120003; 0612060120011. The site measures approximately 3.45250 acres or 150,391 square feet. The site is improved with four assisted living residence buildings totaling 49,771-square-feet (net rentable area), which were 71.9 percent occupied at the time of our inspection.

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

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

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

Extraordinary Assumptions:

1. A survey and/or site plan depicting the land size and gross building area were not provided. Therefore, the appraisers have relied upon data published by the Harris County Appraisal District and a third-party measuring service, Pictometry.

2. The appraisers were not provided floor plans of each unit type. The one floor plan which was provided does not match the square footage estimates provided by the owner. The appraisers have relied on the estimates provided by the owner. A change in unit size could significantly alter the overall value.

Hypothetical Conditions:

1. There are no hypothetical conditions for this report.

Based on the analysis contained in the following report, our value conclusions involving the subject property are summarized as follows:

Value Conclusions

	Real Property	MVTAB
Property Rights Appraised	Fee Simple	Fee Simple
Date of Value	June 2, 2014	June 2, 2014
Value Conclusion	**$6,140,000**	**$10,170,000**
	$34,494 per bed	**$57,135 per bed**
	$79.02 PSF	**$130.89 PSF**

This letter of transmittal is not considered valid if separated from this report, and must be accompanied by all sections of this report as outlined in the Table of Contents, in order for the value opinions set forth above to be valid.

Respectfully submitted,
Valbridge Property Advisors | The Gerald A. Teel Company, Inc.

Ashley Soape
Appraiser
Texas License #TX-1380219-G
asoape@valbridge.com

Gerald Teel, MAI, CRE, SGA
Senior Managing Director
Texas License #TX-1320749-G
gteel@valbridge.com

Chris Lantz
Senior Managing Director
Texas License #TX-1326743-G
License Expires 06-30-2015

Table of Contents

Summary of Salient Facts

Property Name:	Pine Tree Assisted Living	
Address:	5128 Pine Avenue	
	Pasadena, Texas	
Land Area (Primary Site):	3.453 Acs.	150,391 SF
Property Type:	Assisted Living Facility	
Gross Building Area:	77,697 SQ FT	
Licensed Number of Beds:	178 Beds	
Current Capacity:	170 Beds	
Year of Construction:	The Lodge	1968/1980/1994
	The Cottage	1993
Condition:	Average	
Flood Zone:	Zone X (shaded) - Flood Insurance is Optional per FEMA	
Highest and Best Use (As Vacant):	Multi-family	
Highest and Best Use (As Improved):	Assisted Living Facility	
Physical Occupancy:	128 Beds	71.91%
Estimated Value of FF&E	$854,400	
Date of Appraisal Inspection:	February 6, 2015	
Date of Report:	February 18, 2015	

Value Indications

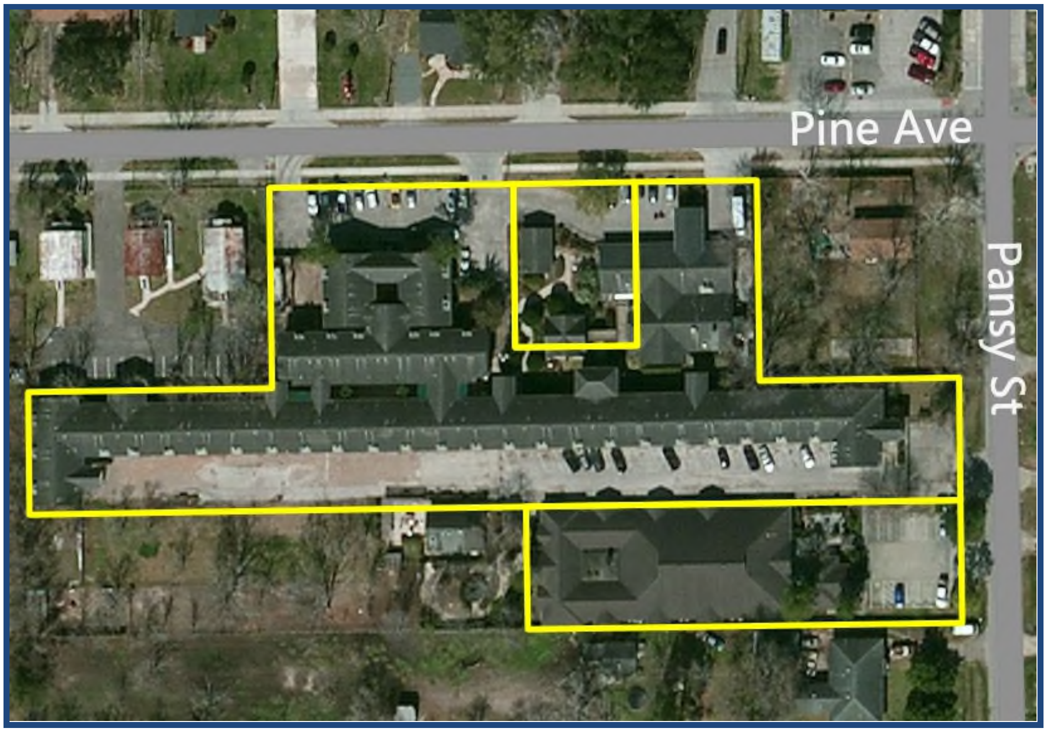
Approach to Value	Real Property	MVTAB
Cost	$6,140,000	
Sales Comparison		$10,220,000
Income Capitalization		
Direct Capitalization	N/A	$10,170,000
Discounted Cash Flow	N/A	N/A

Value Conclusions

	Real Property	MVTAB
Property Rights Appraised	Fee Simple	Fee Simple
Date of Value	June 2, 2014	June 2, 2014
Value Conclusion	**$6,140,000**	**$10,170,000**
	$34,494 per bed	**$57,135 per bed**
	$79.02 PSF	**$130.89 PSF**

Aerial and Front Views

AERIAL VIEW



FRONT VIEW

Introduction

Client and Other Intended Users of the Appraisal

The client in this assignment is First Commerce Bank and the intended user of this report is First Commerce Bank and no others.

Intended Use of the Appraisal

The intended use of this report is for loan underwriting and-or credit decisions.

Real Estate Identification

The subject property is located at 5128 Pine Avenue, Pasadena, Harris County, Texas 77503. The Harris County Assessor identifies the subject property as Assessor Parcel Numbers 0612060120010; 0612060120017; 0612060120003; 0612060120011.

Legal Description

Tracts A1, A3, B, C and C1 & B Block 12 Golden Acres Section 1, Pasadena, Harris County, Texas

Real Property Rights Appraised

We have appraised the fee Simple interest in the subject property.

Type and Definition of Value

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

a. buyer and seller are typically motivated;

b. both parties are well informed or well advised, and acting in what they consider their own best interest;

c. a reasonable time is allowed for exposure in the open market;

d. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and

e. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale[1]

[1]Financial Institution Reform, Recovery and Enforcement Act of 1989 (FIRREA), effective August 24, 1990.

Definition of Market Value of the Total Assets of the Business

The Market Value of the Total Assets of the Business (MVTAB) differs from Going-Concern Value in that it assumes a market sale. It is defined as "the market value of all of the tangible and intangible assets of a business as if sold in aggregate as a going concern".[1] Implicit in this definition is the definition of Market Value, which was defined in the preceding paragraph.

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

Valuation Scenarios and Effective Dates of Value

We developed opinions of value for the subject property under the following scenarios and corresponding effective dates of value:

Valuation Scenarios	Effective Date of Value
As Is Market Value of the Total Assets of the Business	February 6, 2015
As Is Fee Simple Market Value	February 6, 2015

We completed an appraisal inspection of the subject property on February 6, 2015.

Date of Report

The date of this report is February 18, 2015, which is the same as the date of the letter of transmittal.

Scope of Work

The scope of work includes all steps taken in the development of the appraisal. These include 1) the extent to which the subject property is identified, 2) the extent to which the subject property is inspected, 3) the type and extent of data researched, 4) the type and extent of analysis applied, and the type of appraisal report prepared. These items are discussed as follows:

Extent to Which the Property was Identified

Legal Characteristics

The subject was legally identified via tax records.

Economic Characteristics

Economic characteristics of the subject property were identified via documents provided by the borrower, market surveys, discussions with market participants and our database, as well as a comparison to properties with similar locational and physical characteristics.

Physical Characteristics

The subject was physically identified via an exterior and interior appraisal inspection.

Extent to Which the Property was Inspected

We inspected the subject on February 6, 2015 and did not perform our own physical measurement of the improvements.

Type and Extent of Data Researched

We researched and analyzed: 1) market area data, 2) property-specific market data, 3) zoning and land-use data, and 4) current data on comparable listings, sales, and rentals in the competitive market area. We also interviewed people familiar with the subject market/property type, including Rod llanos with Marcus and Millichap and Jeff Binder with Senior living Investment Brokerage.

[1] The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, 2010, P. 179

Type and Extent of Analysis Applied

The subject site has improvements that contribute to an overall value that exceeds the land value. Since there is no proposed development or expansion involving the subject site, an intensive feasibility analysis is not warranted. We observed surrounding land use trends, the condition of the improvements, demand for the subject property, and relative legal limitations in concluding a highest and best use. We then valued the subject based on the highest and best use conclusion, relying on the Sales Comparison and Income Capitalization Approaches.

The cost approach was not used in our analysis. The cost approach is generally applicable when the property is new and does not suffer significant depreciation or obsolescence. Also, recent land sales that are comparable to the subject add to the credibility of this approach. In the case of the subject, it has an actual age of more than 20 years, and suffers from a significant amount if incurable physical depreciation. Also, it is in an area of limited growth and new development, and recent land sales are limited. Given these limitations, the cost approach is not applicable and has not been developed in this appraisal. Its exclusion does not diminish the credibility of the assignment result.

A limited application of the cost approach is developed in the allocation of the components of MVTAB.

Appraisal Report Type

This is an Appraisal Report as defined by the Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2a. Please see the Scope of Work above for a description of the level of research completed.

Appraisal Conformity

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

Use of Real Estate as of the Effective Date of Value

The subject property was being used as an assisted living and memory care facility as of the effective date of appraisal.

The facility was originally constructed as a multi-family community.

Use of Real Estate as of the Date of this Report

Same as above.

Ownership and Sales History

According to the Harris County Appraisal District, title to the subject property is vested in Pine Tree Living LP. The subject property has not been sold, or listed for sale nor have the owners entertained offers for purchase within the past three years. In addition, the subject is not currently listed for sale or under contract for sale.

We have considered and analyzed the known history of the subject in the development of our opinions and conclusions.

List of Items Requested but Not Provided

1. Site Plan / Survey
2. Unit Mix
3. Historical Census
4. A breakdown of the Furniture, Fixtures and Equipment
5. Floor Plans of all units

Extraordinary Assumptions

1. A survey and/or site plan depicting the land size and gross building area were not provided. Therefore, the appraisers have relied upon data published by the Harris County Appraisal District and a third-party measuring service, Pictometry.

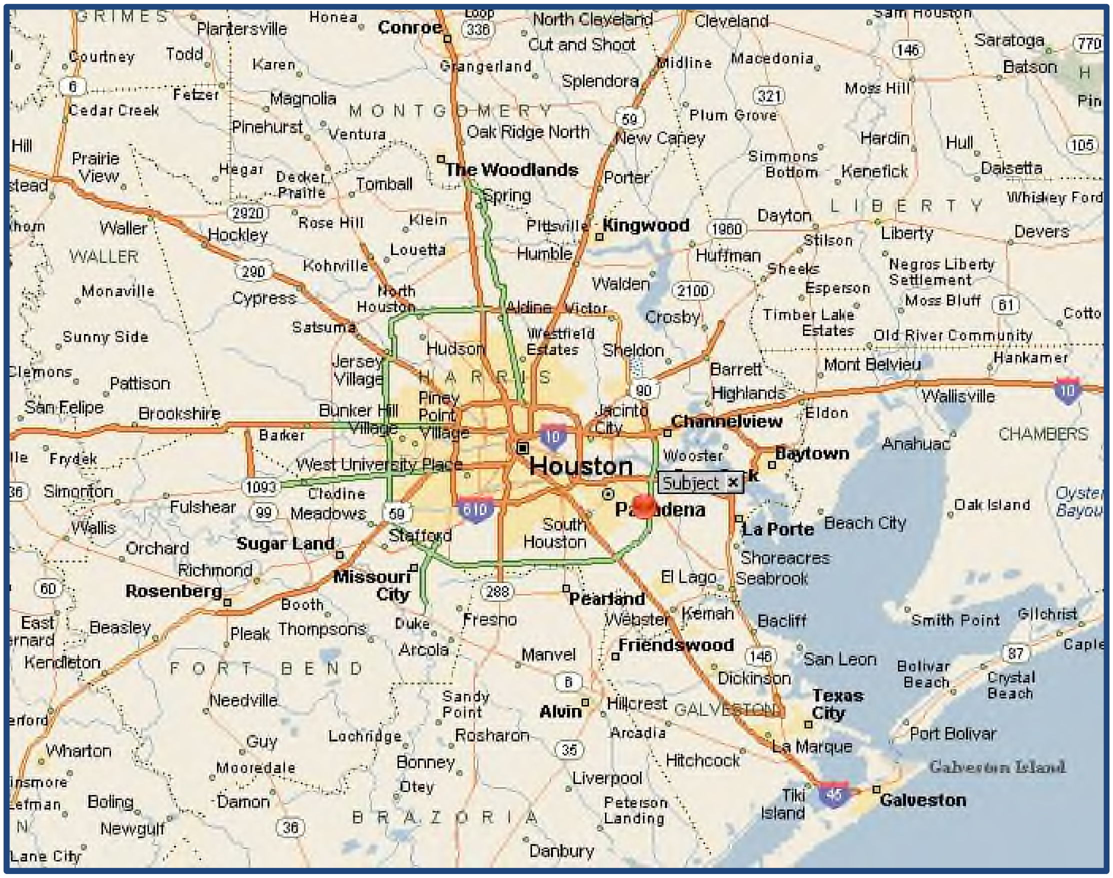
2. The appraisers were not provided floor plans of each unit type. The one floor plan which was provided does not match the square footage estimates provided by the owner. The appraisers have relied on the estimates provided by the owner. A change in unit size could significantly alter the overall value.

Hypothetical Conditions

1. There are no hypothetical conditions for this report.

Regional & Market Area Analysis

REGIONAL MAP



Overview

The subject property is located in the Pasadena, which resides in Harris County and the southern portion of the Houston-The Woodlands-Sugar Land metropolitan statistical area (MSA). The MSA is a nine-county metropolitan area that represents the 5th-largest population in the United States. If it were a state, the MSA would rank 18th in population. Geographically, the MSA covers 9,444 square miles, an area smaller than Maryland, but larger than Massachusetts. The following area data was obtained from various sources including the Greater Houston Partnership.

Population

The Houston region is one of the youngest, fastest-growing, and most diverse populations anywhere, which is especially remarkable given that its MSA is the fifth largest in the country. Houston prizes its racial and ethnic diversity as a source of strength in the global economy. Given its prominence in international business, it is perhaps not surprising that more than one-fifth of metropolitan Houston residents were born abroad.

In addition to being multicultural, Houston's population is young and educated. The Houston population's median age is among the lowest of the nation's major metro areas, and the percentage of college graduates living in Houston is ahead of the U.S. average and significantly exceeds the state average. All of these demographics add up to a diverse and well-educated workforce that can supply all manner of skills and occupations.

The Houston-The Woodlands-Sugar Land MSA ranks second in the top ten MSAs with the highest population growth between 2000 and 2012. Population characteristics relative to the Houston-The Woodlands-Sugar Land MSA and the subject property are presented in the following table:

Population

Area	2000	2010	Annual % Change 2000 - 10	2014	Projected 2019	Annual % Change 2014 - 19
United States	281,421,906	308,745,538	1.0%	316,296,988	327,981,317	0.7%
Texas	20,851,820	25,145,561	2.1%	26,538,203	28,568,331	1.5%
Houston MSA	4,693,161	5,920,416	2.6%	6,316,454	6,919,973	1.9%
Harris County	3,400,578	4,092,459	2.0%	4,314,900	4,661,949	1.6%
Houston	1,970,941	2,099,451	0.7%	2,177,480	2,326,160	1.4%

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

Employment

From 2012 to 2040, The Perryman Group sees population growth averaging 1.8 percent annually in the Houston region. Over the same period, the Texas-based economic forecasting firm expects wage and salary employment to rise at a 1.65 percent annual rate. The Houston–Sugar Land–Baytown metro will lead the state in population growth, adding 4.03 million residents between 2012 and 2040. The Perryman Group also forecasts that Houston will add an additional 1.6 million jobs and account for almost one-fourth of Texas' job growth during that time frame.

According to The Perryman Group's summer 2013 report, the Houston-area remains a global center for the oil and gas industries with corporate headquarters, related technology firms, and service businesses contributing to ongoing growth. In spite of the cyclical nature of oil and gas exploration and production, global expansion in energy demand and technological advances will keep Texas and the Houston area at the forefront of the industry. Additional drivers of economic activity through the long-term horizon will be, among others, the Port of Houston and other regional facilities and the strong health care base. The Houston area is projected to continue to outperform most parts of the United States in the decades to come.

Employment by industry for the MSA is presented in the following table:

Employment by Industry - Houson-The Woodlands-Sugar Land MSA

Industry	ACS Estimate 2005 - 2009	Percent of Employment
Agriculture, forestry, fishing and hunting	9,150	0.35%
Mining, quarrying, and oil and gas extraction	67,960	2.57%
Construction	268,025	10.14%
Manufacturing	285,463	10.80%
Wholesale trade	107,309	4.06%
Retail trade	281,753	10.66%
Transportation and warehousing	144,664	5.47%
Utilities	26,474	1.00%
Information	42,266	1.60%
Finance and insurance	108,875	4.12%
Real estate and rental and leasing	63,424	2.40%
Professional, scientific, and technical services	191,100	7.23%
Management of companies and enterprises	4,109	0.16%
Administrative and support and waste mgmt services	128,006	4.84%
Educational services	228,410	8.64%
Health care and social assistance	262,348	9.92%
Arts, entertainment, and recreation	35,458	1.34%
Accommodation and food services	172,311	6.52%
Other services, except public administration	140,193	5.30%
Public administration	76,933	2.91%
Total	2,644,231	100.00%

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

The following list of the MSA's top 20 largest employers illustrates the heavy influence of oil and gas and healthcare industries on the region.

Region's 20 Largest Employers

	Company	# of Local Employees
1	ExxonMobil	21,500
2	Memorial Hermann Healthcare System	19,500
3	H-E-B	19,200
4	The University of Texas MD Anderson Cancer Center	17,000
5	United Airlines	17,000
6	Schlumberger Limited	15,500
7	Shell Oil Company	13,000
8	The Methodist Hospital System	13,000
9	Kroger Company	12,000
10	National Oilwell Varco	10,000
11	BP America, Inc.	9,537
12	UTMB Health	9,318
13	Baylor College of Medicine	9,232
14	HP	9,000
15	ARAMARK Corp.	8,500
16	Chevron	8,000
17	Pappas Restaurants, Inc.	8,000
18	HCA	7,855
19	Macy's	7,000
20	AT&T	6,900

Souce: Greater Houston Partnership

Unemployment

The following table exhibits current and past unemployment rates as obtained from the Bureau of Labor Statistics. Overall, the Region boasts one of the lowest unemployment rates for metropolitan statistical areas in the country at 5.14 percent.

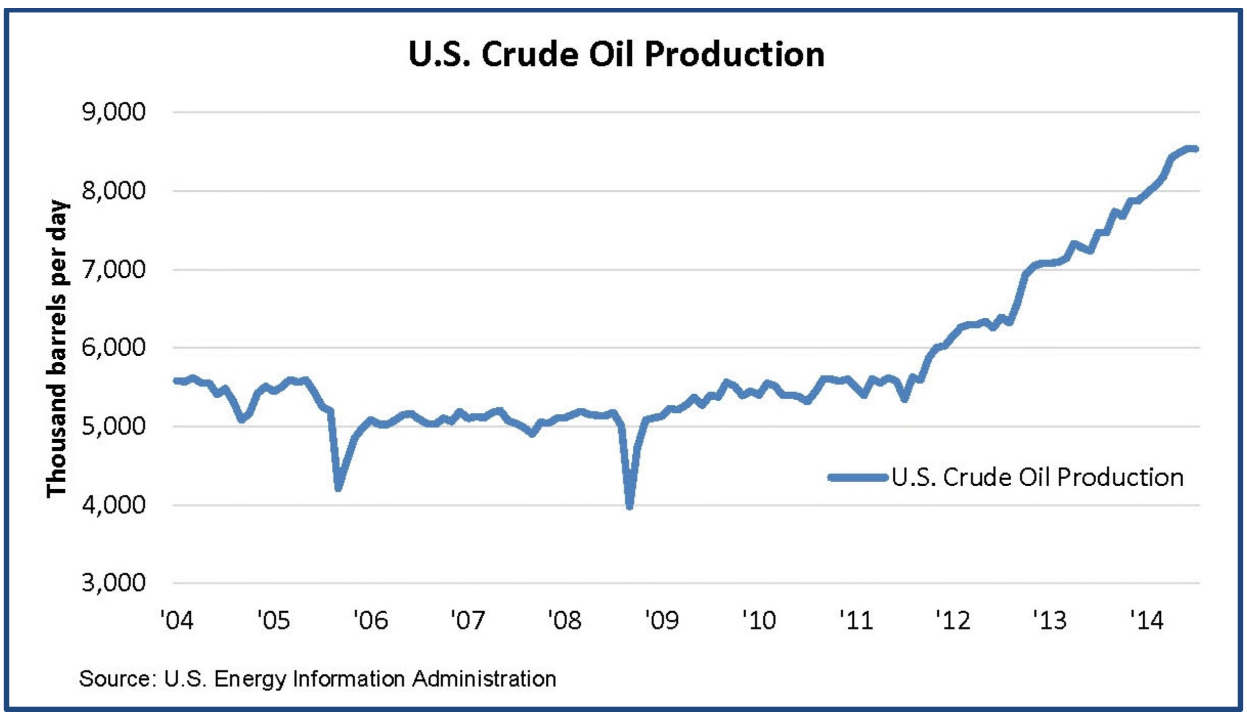
Unemployment Rates

Area	2007	2008	2009	2010	2011	2012	2013	2014 YTD
United States	4.60%	4.60%	5.80%	9.30%	9.60%	8.10%	7.40%	6.20%
Texas	4.35%	4.93%	7.50%	8.18%	7.94%	6.86%	6.33%	5.21%
Houston MSA	4.30%	4.80%	7.50%	8.50%	8.10%	6.80%	6.20%	5.14%
Harris County	4.30%	4.80%	7.50%	8.50%	8.20%	6.90%	6.20%	5.18%
Houston	4.30%	4.80%	7.20%	8.50%	8.30%	7.00%	6.30%	5.23%

Source: Bureau of Labor Statistics - Seasonally Adjusted Year End

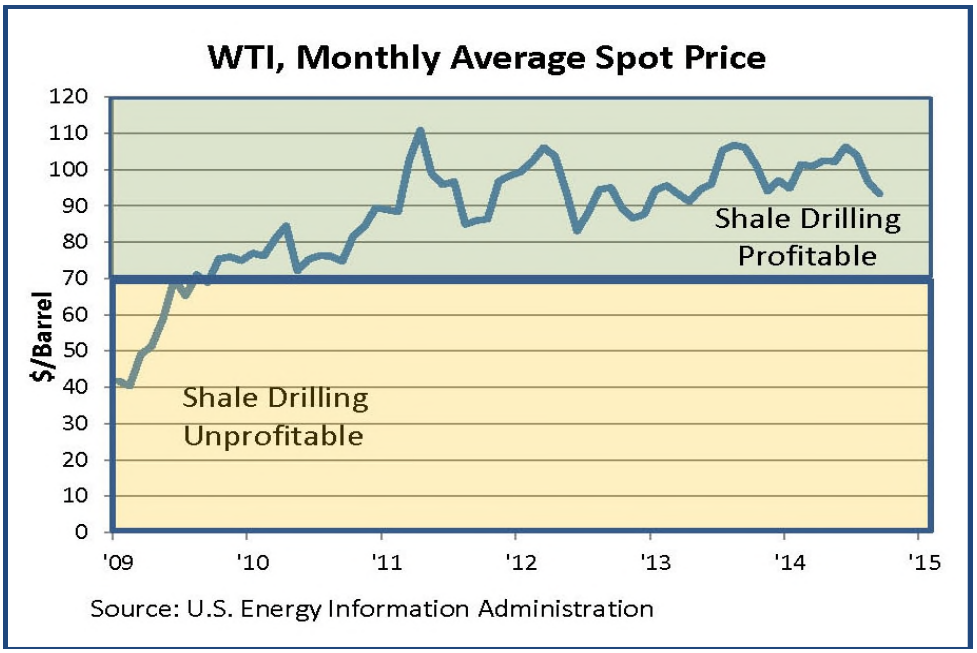
Oil Markets

Houston is the U.S. energy headquarters and a world center for virtually every segment of the oil and gas industry of the oil and gas industry including exploration, production, transmission, marketing, supply and technology. At the Greater Houston Partnership's inaugural State of Energy event held on October 2, 2014, Rex Tillerson, chairman, president and CEO of ExxonMobil Corporation, noted that the level of exploration and production activity in North America has created a new era of energy abundance. The U.S. produces 3.0 million more barrels of crude and liquids per day than just three years ago, a 57.4% increase from 2011 levels to the current daily production rate of 8.5 million barrels per day.



After decades of operating under a mindset of scarcity, North America now benefits from several game-changing innovations the oil and gas industry has pioneered. The development of the Canadian tar sands has expanded proven oil reserves by approximately 170 billion barrels. Offshore operations in the Gulf of Mexico now reach ultra-deep-water depths of more than 10,000 feet. ExxonMobil projects deep-water production will increase 150% worldwide over the next three decades. Finally, the most discussed breakthrough of hydraulic fracturing coupled with horizontal drilling has opened up previously inaccessible and uneconomic energy supplies.

This new era of energy abundance offers new challenges as prices decline. The spot price of West Texas Intermediate (WTI), the U.S. benchmark for light, sweet crude, fell from the monthly average of over $100 per barrel in June 2014 to $59 per barrel on December 2014. Many operators cite $70 per barrel as the threshold below which new drilling in shale plays such as the Eagle Ford would no longer be economically feasible.



In its January 2015 *Short-Term Energy Outlook*, the U.S. Energy Information Administration (EIA) projected WTI to average $55 per barrel in 2015, increasing to $71 in 2016. The sharp decline from 2014 levels has led to an average 40% cut in exploration budgets, outside capital drying up, banks auditing reserves, oil field equipment order cancellations and layoffs. With exploration tapering off, the Houston economy will have to rely on other sectors for growth.

January 2015 forecasts from the Texas A&M Real Estate Research Center, Dr. Jim Gaines and Mark Dotzour, among others have indicated that the recent downturn in oil prices will not have as a significant impact as some had originally forecasted. Most recent projections have predicted job growth of 50,000 to 70,000 new jobs and a growth in the population of 120,000 new residents in Houston alone. While it is true that there has been a negative impact felt in the Houston area with the declining oil prices, other industries such as petro-chemicals and transportation, among others have directly benefited from the lower oil prices. A secondary benefit of declining oil prices has seen a rise in retail and consumer orientated industries, with consumers having more disposable income to put into the economy. The Greater Houston Partnership's employment forecast calls for growth in all sectors except oil field services, oil field equipment manufacturing and oil field exploration.

Median Household Income

Total median household income for the region is presented in the following table. Overall, the subject's MSA and county compare favorably to the state and the country.

Median Household Income

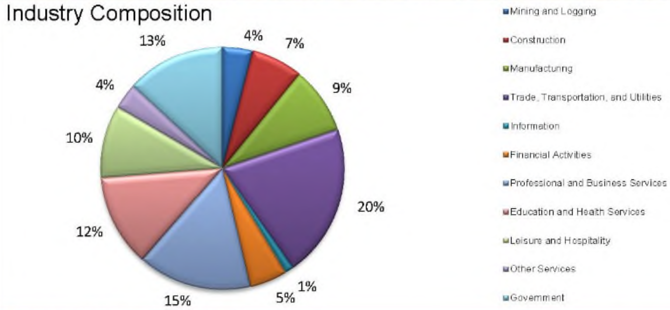
Area	2014	Projected 2019	Annual % Change 2014 - 19
United States	$52,076	$59,599	2.9%
Texas	$51,979	$61,454	3.6%
Houston MSA	$58,637	$73,365	5.0%
Harris County	$53,710	$64,854	4.1%
Houston	$43,136	$52,438	4.3%

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

Houston - Sugar Land - Baytown MSA — December 2014

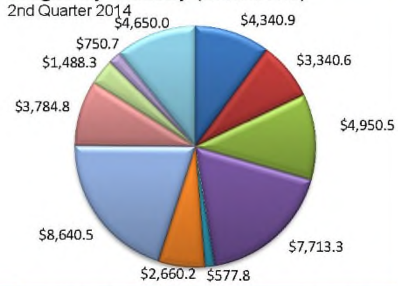
(Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, San Jacinto, Waller)

Industry Composition



Wages by Industry (in millions)

2nd Quarter 2014



Employment by Industry

	Dec-14	Nov-14	Dec-13	Monthly Change Actual	Monthly Change %	Annual Change Actual	Annual Change %
Total Nonfarm	2,960,700	2,953,300	2,840,100	7,400	0.3%	120,600	4.3%
Mining and Logging	118,600	117,000	107,400	1,600	1.4%	11,200	10.4%
Construction	203,800	204,900	188,900	-1,100	-0.5%	14,900	7.9%
Manufacturing	263,800	262,200	255,600	1,600	0.6%	8,200	3.2%
Trade, Transportation, and Utilities	603,500	596,800	587,200	6,700	1.1%	16,300	2.8%
Information	33,700	33,700	32,900	0	0.0%	800	2.4%
Financial Activities	147,600	146,300	141,200	1,300	0.9%	6,400	4.5%
Professional and Business Services	448,400	450,400	431,000	-2,000	-0.4%	17,400	4.0%
Education and Health Services	363,200	364,100	340,100	-900	-0.3%	23,100	6.8%
Leisure and Hospitality	286,700	285,300	277,900	1,400	0.5%	8,800	3.2%
Other Services	101,800	102,800	99,500	-1,000	-1.0%	2,300	2.3%
Government	389,600	389,800	378,400	-200	-0.1%	11,200	3.0%

Industry Size Class — June 2014

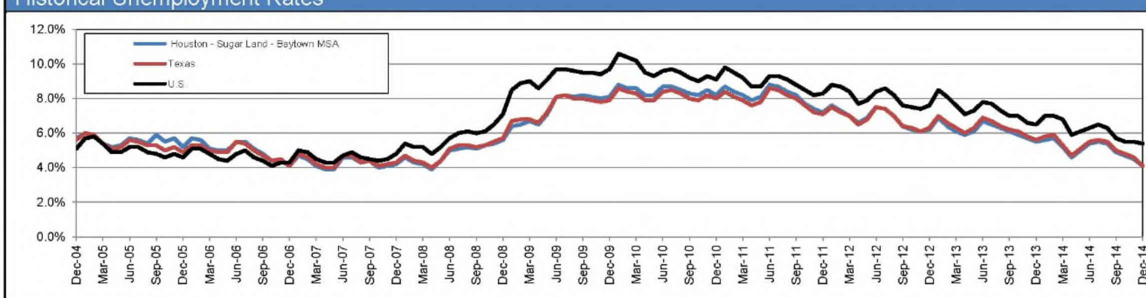
Size Class	Employees per firm	Number of Firms	Employment in Size Class	% Total Employment
9	1000+	324	989,287	34.9%
8	500-999	433	298,588	10.5%
7	250-499	769	265,640	9.4%
6	100-249	2,423	372,003	13.1%
5	50-99	3,488	242,324	8.5%
4	20-49	8,940	273,696	9.6%
3	10-19	11,871	160,862	5.7%
2	5-9	18,585	122,147	4.3%
1	1-4	57,810	112,635	4.0%
0	0	12,433	0	0.0%
Total		117,076	2,837,182	100.0%

Annual Growth Rate for Total Nonagricultural Employment

Unemployment Information (all estimates in thousands)

	Houston - Sugar Land - Baytown MSA C.L.F.	Emp.	Unemp.	Rate	Texas (Actual) C.L.F.	Emp.	Unemp.	Rate	United States (Actual) C.L.F.	Emp.	Unemp.	Rate
Dec-14	3,198.0	3,067.3	130.7	4.1	13,005.5	12,466.8	538.7	4.1	155,521.0	147,190.0	8,331.0	5.4
Nov-14	3,211.9	3,066.0	145.9	4.5	13,068.8	12,464.3	604.5	4.6	156,297.0	147,666.0	8,630.0	5.5
Dec-13	3,130.9	2,959.4	171.5	5.5	12,864.2	12,141.7	722.5	5.6	154,408.0	144,423.0	9,984.0	6.5

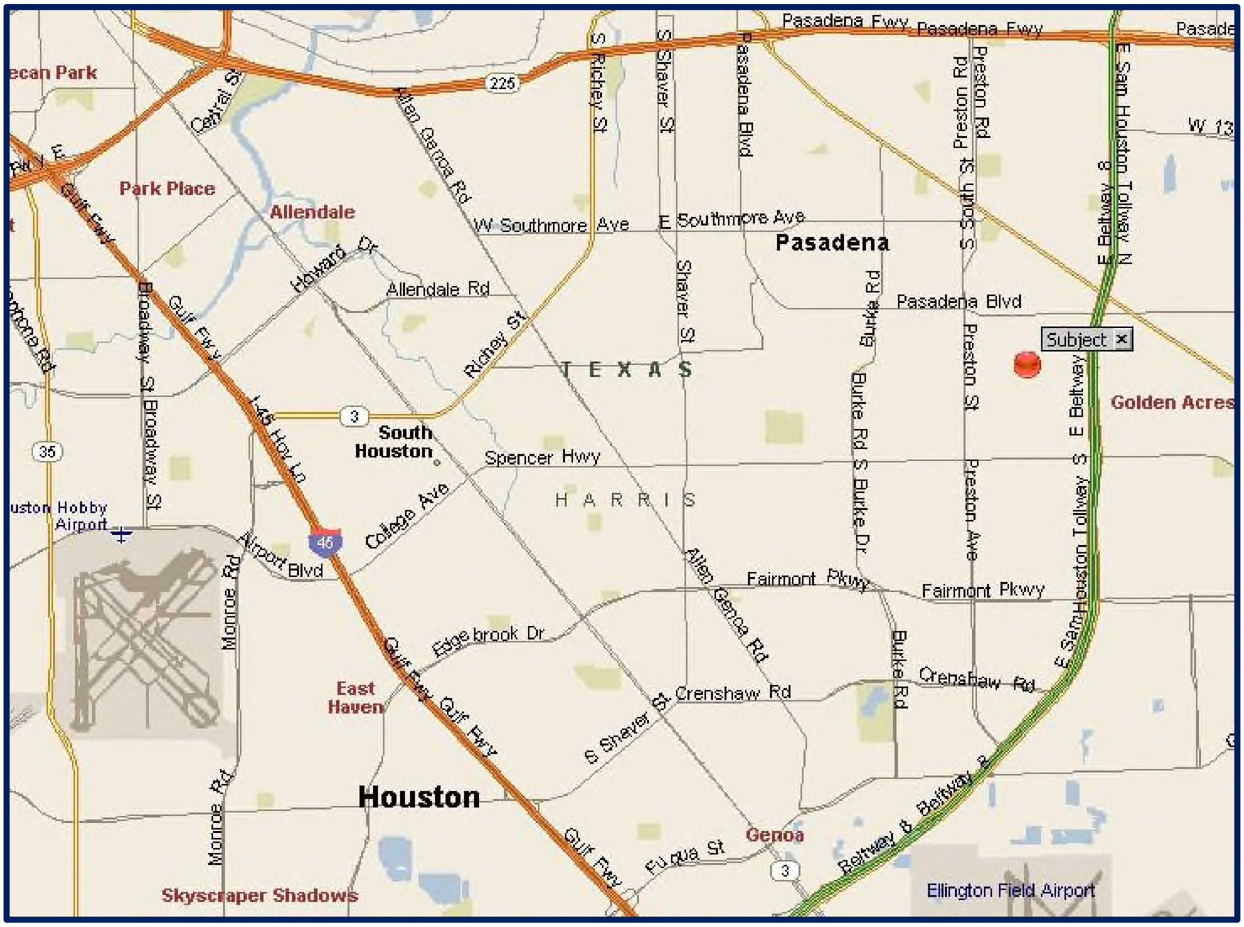
Historical Unemployment Rates



Available at http://www.tracer2.com

City and Neighborhood Analysis

NEIGHBORHOOD MAP



A neighborhood is defined as "a grouping of complimentary land uses affected by similar operations of the social, economic, governmental and environmental forces that affect property value. The area most closely surrounding the subject property, whether it contains residential property only or a mixture of commercial and residential property is called a neighborhood."

Neighborhood Location and Boundaries

The subject is located along the south line Pine Avenue, approximately 0.50 miles (inside) the East Sam Houston Toll Road (Beltway 8). The subject is located within the city of Pasadena and is approximately 13.0 miles southeast of the Houston central business district.

The immediate confines of the subject neighborhood are defined as follows:

- North - SH 225 (Pasadena Freeway)
- East - Sam Houston Toll Road
- South - IH 45 / Beltway 8
- West - SH 3 / Richey Street

Demographics

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

Neighborhood Demographics

Radius	1-Mile	3-Mile	5-Mile
Population Summary			
2000 Population	10,737	123,478	218,648
2010 Population	11,889	130,755	237,184
2013 Estimated Population	12,329	132,684	244,036
2018 Estimated Population	13,228	139,074	257,568
Annual % Change (2013 - 2018)	1.4%	0.9%	1.1%
Household Summary			
2000 Households	3,771	41,614	71,840
% Owner Occupied	51.2%	54.6%	56.6%
% Renter Occupied	39.9%	39.1%	37.4%
2010 Households	4,236	43,388	75,867
% Owner Occupied	43.5%	51.6%	54.8%
% Renter Occupied	48.0%	39.7%	36.3%
2013 Estimated Households	4,792	43,900	77,728
% Owner Occupied	41.0%	49.2%	52.4%
% Renter Occupied	50.1%	41.1%	37.8%
2018 Estimated Households	4,670	46,035	81,961
% Owner Occupied	40.4%	49.1%	52.1%
% Renter Occupied	50.3%	41.5%	38.5%
Annual % Change (2013 - 2018)	-0.5%	1.0%	1.1%
Income Summary			
2013 Estimated Median Household Income	$33,570	$46,186	$47,359
2018 Estimated Median Household Income	$40,242	$54,024	$54,728
Annual % Change	3.7%	3.2%	2.9%
2013 Per Capita Income	$15,869	$19,989	$19,794
2018 Per Capita Income	$18,475	$22,891	$22,743
Annual % Change	3.1%	2.7%	2.8%

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

The neighborhood has experienced a moderate amount of population growth over the previous ten years. Population growth is projected to continue at a similar pace in the near future.

The 2013 median household income at the three and five mile radius is below the state average of $51,979.

Accessibility

The major thoroughfares include the Sam Houston Tollway to the east, Interstate Highway 45 to the south, Fairmont Parkway and the Pasadena Freeway to the north, Allen Genoa Road to the west. Major east/west roadways within close proximity to the subject property include Fairmont Parkway, Crenshaw Road, Genoa Red Bluff, Spencer Highway and Pasadena Boulevard. Major north/south roadways within close proximity to the subject property include Burke Drive, Preston Avenue, Shaver Street, and Space Center Boulevard. Overall access is considered good and the subject neighborhood has good access to major roadways, employment centers and support facilities in the southeast sector of the Greater Houston Metropolitan Area.

Predominant Development

The bulk of development occurred in the 1960's to 1980's. Most of the development in the neighborhood is residential, but there is a large percentage of other uses, industrial, service, retail, and commercial. There is a high density of retail and commercial uses along the major interior roadways, most of which is 10 to 30 years or older with a small percentage being new construction. The density of uses increases along the perimeter of the neighborhood, with residential uses being more prominent along the boundaries of the area. There is a heavy concentration of multi-family residential uses in the form of apartments and condominiums located in the immediate vicinity of the property.

The neighborhood is aging and reaching a point that rehabilitation will be required on various properties or redevelopment. A number of apartments have been updated or rehabilitated over the last 10 years, although there has been minimal new construction in recent years. There is limited land available in the immediate vicinity for development. With the proximity to more affluent areas and access to major roadways allowing commerce to all parts of Houston, the subject neighborhood is well located. It is also within a short drive time of Galveston Bay, the Houston Ship Channel and its various complexes and NASA which is located to the north and southeast of the subject neighborhood. There are also major shopping centers and support facilities in the Bay Area.

Land uses in the immediate vicinity of the subject consist of primarily single family residential with some light commercial retail and industrial. Further east along Beltway 8 there is more commercial retail and multi-family developments. Much of the new development within the vicinity is located southeast of the subject property near and around the Beltway 8 and Spencer Highway and/or Fairmont Parkway and Beltway 8 intersections and neighborhood. In general, residential values are higher to the south/southeast than to the north.

Conclusions

The subject property is located within an area that is mature and experienced limited new development in recent years. However, older properties have been renovated as demand for commercial uses has been steady. Overall, the subject neighborhood is considered to be well situated for stability and moderate growth.

Market Analysis

The subject property is an assisted living facility licensed by the Texas Department of Aging and Disability Services. The following is an overview of the assisted living market.

According to the Assisted Living Federation of America, Assisted Living is defined as: "the new housing and health care alternative combining independence with personal care in a dignified, community setting". An assisted living residence is a combination of housing, personalized supportive services and health care designed to meet the needs – both scheduled and unscheduled – of those who need help with activities of daily living.

Assisted Living residences can range from a high-rise apartment complex to a converted Victorian home to a renovated school. Residences may be free standing or housed with other resident options, such as independent living or nursing care. They may be operated by non-profit or for companies. Most facilities have between 25 and 120 units. There is no single blueprint, because consumers' preferences and needs vary widely. Units may vary in size from one room to a full apartment.

Services provides in Assisted Living residences usually include:

- Three meals a day served in a common dining area
- Housekeeping services
- Transportation
- Assistance with eating, bathing, dressing, toileting and walking
- Access to health and medical services
- 24 hour security and staff availability
- Emergency call systems for each resident's unit
- Health promotion and exercise programs
- Medication management
- Personal laundry services
- Social and recreational activities

Market Conditions

<u>Marcus and Millichap Senior Housing Research Report, Second Half of 2014</u>

According to the *Senior Housing Research Report, Second Half of* 2014 published by Marcus and Millichap, new demand is outstripping supply growth, which has pushed occupancy 80 basis points in the last 12 months to 90.8 percent. Average rents increased 1.7 percent in the past 12 months. Developers, meanwhile, are reacting to improved demand, through construction.

Assisted Living Facilities

- Developers are aggressively bringing projects out of the ground, resulting in the addition of 9,700 AL units in the past year, lifting inventory by 3 percent. NIC MAP is also tracking 17,700 units under construction at midyear, up 2.9 percent from one year ago.

- New demand is outstripping supply growth in the AL sector, which has pushed up occupancy 80 basis points in the last 12 months to 90.8 percent. During the first six months of this year, the rate remained flat.

- Average rents advanced 1.7 percent in the past year to $4,137 per month in the second quarter as occupancy pushed past the 90 percent threshold. The pace of rent growth accelerated during the first half of this year when average rents improved 1.4 percent.

- The number of AL deals executed in the most recent 12-month period climbed 9 percent as demand remained strong. Investors paid an average price of $145,200 per unit during the period, while average cap rates ticked up into the low-8 percent range as lesser quality properties traded.

- **Outlook:** As development rises, the pace of occupancy improvement will ease. Nonetheless, occupancy will climb to 91.3 percent this year, an increase of 50 basis points from 2013. Average rent, meanwhile, will grow 3.4 percent in 2014 to $4,218 per month.

Senior Living Investment Brokerage 2015 Seniors Housing Market Outlook

Positive Factors

- Pricing for existing facilities to remain aggressive given the lack of product available in the market.
- Cost of debt remains historically low. Also, availability of debt for acquistions is readily accessible, especially for well located assets.
- More equity and capital looking to be deployed in the sector driving capitalization rates to historic lows.
- Continued investment return compression in other sectors within commercial real estate has driven additional asset allocation from institution funds to the seniors housing industry.
- Strategic alignment of operators and institutional capital has created a much more efficient acquisition process for many buyers.

Negative Factors

- Likely increasing labor costs due to the Affordable Care Act. The delay in the employer mandate has provided a temporary reprieve. This will change in 2015.
- Increased activity in the construction pipeline could effect the performance and pricing for once dominant communities in specific markets. This is more of a concern in major metro markets, not in the secondary markets. However, overall occupancy has remained strong. Locally, some submarkets have appeared to reach a saturation point.

Micro-Market and Senior Demographics

Population Demographics

Population Trends (50+)	2010	2013	2018
City of Pasadena	35,497	38,402	42,656
% Change from Prior Period	--	8.18%	11.08%

Pasadena is experiencing above average population growth in the 50 year and older age bracket. A moderate population growth of 0.9$ to 1.3% was previously noted for the subject neighborhood.

The following table depicts the population by age in 2013.

Population Trends - Population By Age 2013

City of Pasadena		
Age	Total	Percent %
50 to 54 years	2,458	6.4%
55 to 59 years	1,997	5.2%
60 to 64 years	1,498	3.9%
65 to 69 years	998	2.6%
70 to 74 years	768	2.0%
75 to 79 years	614	1.6%
80 to 84 years	461	1.2%
85+ years	346	0.9%
Total	**38,402**	**23.8%**

The 50+ age group comprises 23.8% of the total population in Pasadena, Texas.

Income Demographics

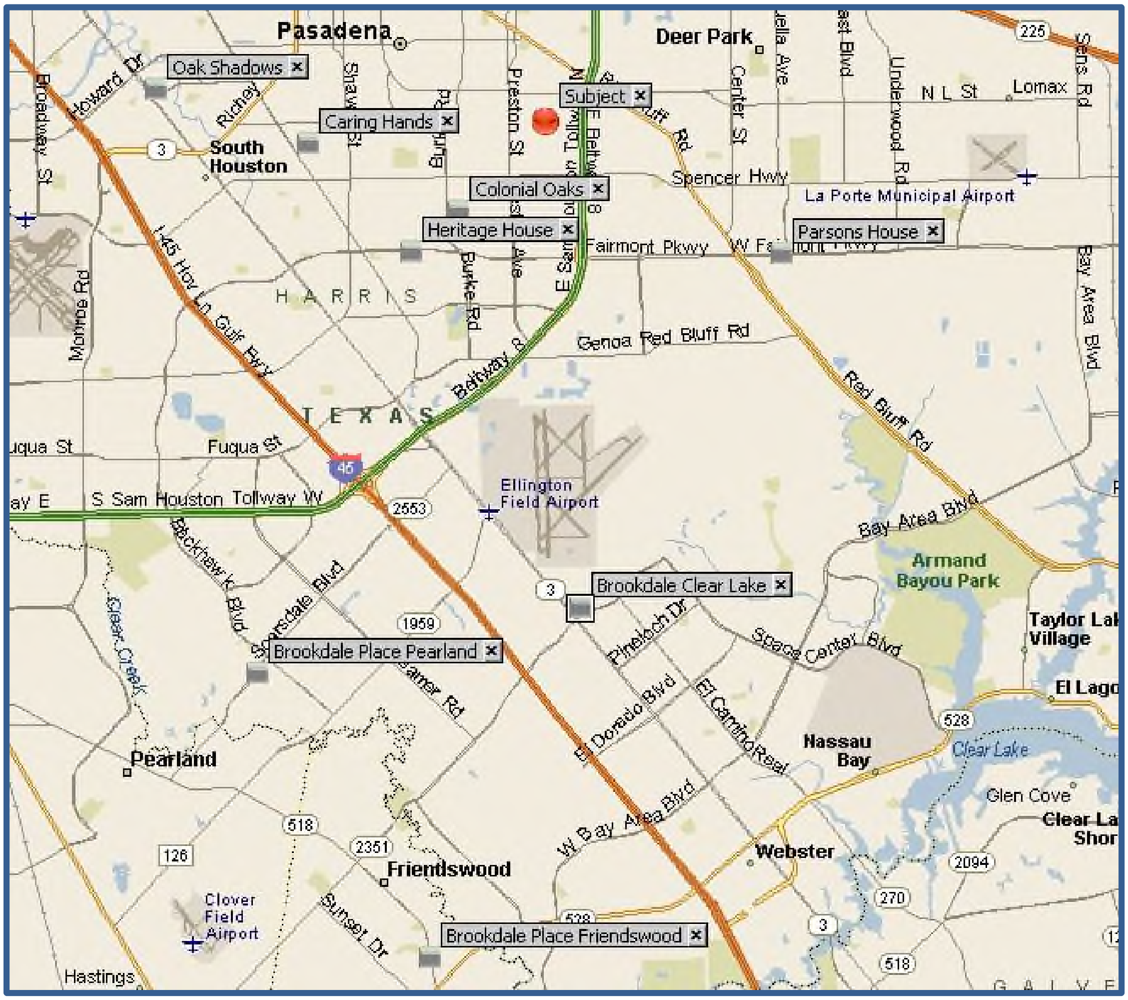
The next table depicts median household income for those over 50 within the City of Pasadena, Texas.

Income Demographics	2013	2018
Median Household Income (50+)	$44,092	$54,868
Median Household Income (55+)	$43,040	$53,348

Median household Incomes of seniors 50 years of age and older within the market area are projected to increase 4.0% to 5.0% over the next five years.

Supply - Competitive Product

According to the Department of Aging and Disability Services website, there are over 75 facilities located within Harris County. There are only two facilities located within the city of Pasadena, the subject and Colonial Oaks. Of the 75+ facilities, seven were chosen as the most comparable to the subject. A map of the facilities follows.



Heritage House and Caring Hands Residential Care Home are smaller facilities that have 12 and 5 beds respectively. The facilities are operated out of a single-family residential home. The facilities have been excluded from our rental analysis due to size.

Please note, several attempts were made to contact Emeritus at Clear Lake. The appraisers made an on-site visit and left several messages with management. No rental information could be obtained. However, it was noted by other managers the facility was operating at stabilized occupancy levels.

A summary of the competitive rental survey follows.

Comparable Rent Summary

Comp	Facility Name	YOC	Occupancy	Monthly Rental Rates Semi-Private	Private	Alzheimer's and Dementia Care
1	Colonial Oaks	1994	N/A	$3,200	$3,600 to $4,200	Not Confirmed
2	Oaks Shadows	1976	100.0%	$1,275 to $1,375	$1,820 to $2,360	Not Offered
3	Parsons House	1997	97.0%	N/A	$2,425 to $2,725	$3,325 to $4,025
4	Brookdale Place Pearland	1997	98.0%	N/A	$3,295 to $5,260	$3,300 to $5,930
5	Brookdale Place Friendswood	1998	100.0%	N/A	$3,500 to $5,000	$4,225 to $4,825
	Subject		71.91%	$1,700	$3,000	$3,500

The projects surveyed have physical occupancies varying from 97% to 100.0% with an average of 95.45%. Oak Shadows, Parsons House and Emeritus at Friendswood have a waiting list. Note, management at Colonial Oaks would not reveal current occupancy. However, it was noted by managers of competitive facilities that Colonial Oaks is full.

Note, Parsons House, Brookdale Place Pearland and Brookdale Place Friendswood feature private units only. Colonial Oaks features a studio-deluxe unit that can be semi-private; however, this unit is typically leased privately. There is strong demand for private units within the market.

Our discussions with market participants and city officials revealed there are no new units under construction with the subject market. The supply of units is projected to stay at current levels.

Occupancy

As of the date of inspection, the subject had a census of 128, which is indicates a physical occupancy of 71.91%.

The rent comparables had a range of occupancy from 97.0% to 100% with an average of 98.8%. The *Marcus and Millichap Second Half 2014 Senior Housing Research Report* noted a national average of 91.3%.

As of the date of inspection, the subject had a census of 128, which is indicates a physical occupancy of 71.91%. Our market research and conversations with market participants revealed that there is adequate demand for units within the market. Jamie Molen, Administrator of the subject facility indicated there is moderate demand for the facility with a majority of the demand for private units. The majority of the rent comparables feature private suites only. Colonial Oaks has a limited number of semi-private suites; however, these suites can also be leased privately. There appears to be limited demand for the subject's two and three-bedroom units, which has affected the facilities occupancy.

Considering the subject's unit mix, a 15% vacancy and collection loss has been utilized in our analysis.

Absorption

Considering the limited supply in the market and current demand, a lease-up period of 18 months has been estimated be the appraisers.

Conclusions

The number of individuals that need the level of care provided by an assisted living facility is on the rise. It is anticipated that demand will rise significantly throughout the coming years.

Broker Interviews

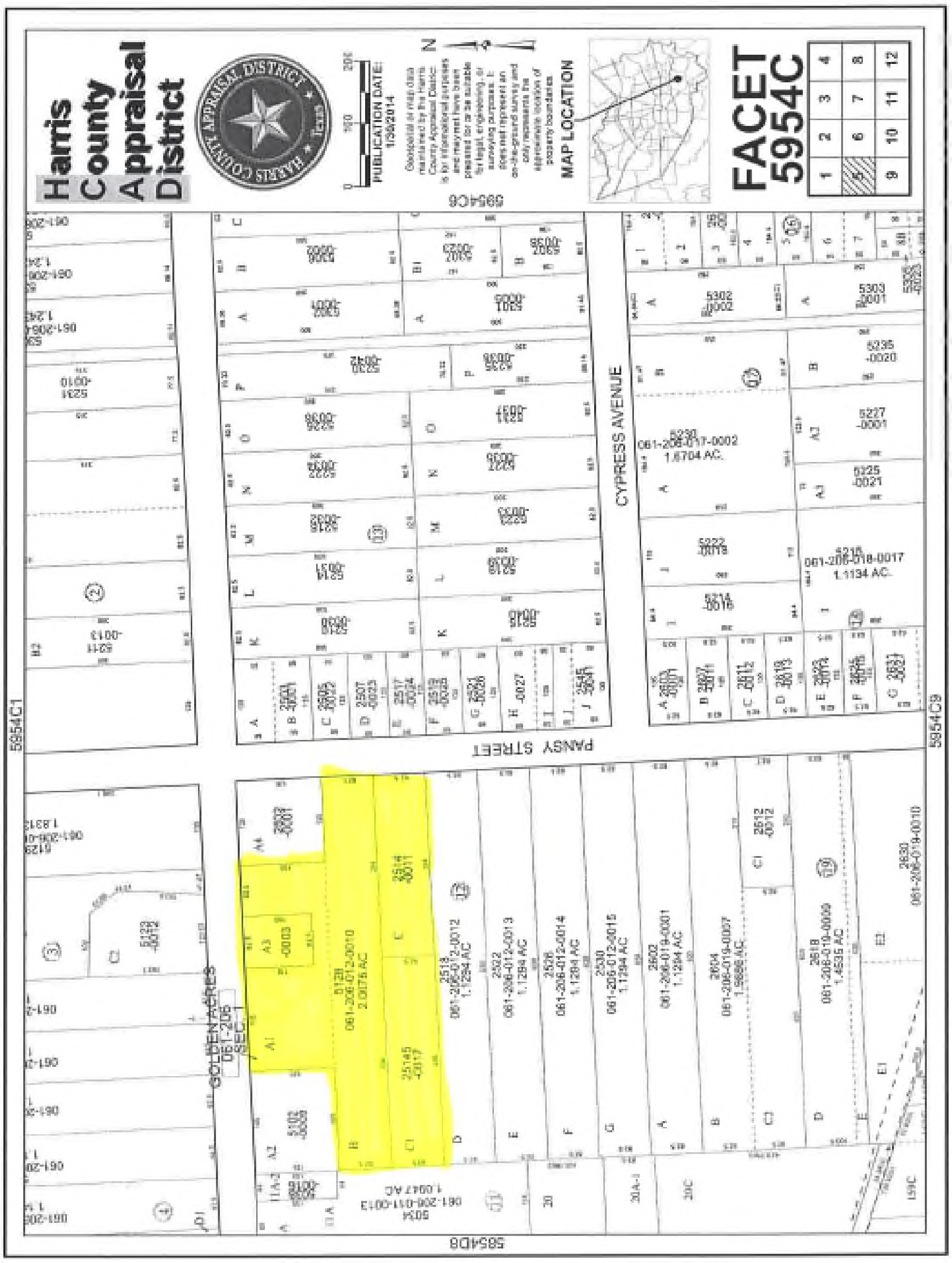
Jeff Binder
Senior Living Investment Brokerage
(314) 961-0070

- Capitalization rates for assisted living facilities are currently ranging from 8.5% to 9.50%.
- Many facilities have noted increases in rental rates in the last twelve months. Further, over the past year, occupancy levels have continued to rise. The upward trend in rental rates and occupancy levels have made assisted living facilities more attractive to investors.

Site Description

The following description is based on our appraisal inspection of the subject, assessor records, and information provided by the owner.

PLAT MAP



General Data

Street Address:	5128 Pine Avenue, Pasadena, Harris County, Texas 77503
Assessor Parcel Number:	0612060120010; 0612060120017; 0612060120003; 0612060120011

The subject property wraps the southwest corner of Pine Avenue and Pansy Street.

Adjacent Land Uses

The subject site is located within a residential area within the city of Pasadena. More specific surrounding uses are as follows:

North:	Industrial land mixed with single family residential
South:	Vacant land
East:	Single family residential
West:	Single family residential

Physical Characteristics

Site Area:	150,391 gross square feet, or 3.45250 gross acres
Shape:	Irregular
Topography:	Level

Access

Primary Street Frontage:	330 feet
Primary Street Name:	Pine Avenue
Secondary Street Frontage:	165 feet
Secondary Street Name:	Pansy Street
Street Type:	2-lane, asphalt-paved with open ditch drainage
At Signalized Intersection:	No
Overall Visibility:	Good to Excellent

Site Improvements

Off-Site Improvements:	None
Utilities:	Public Water and Sewer
On-Site Improvements:	None

Flood Zone Data

Flood Map Panel:	48201C0920L dated 06-18-2007
Flood Zone:	Zone X (unshaded), zones B, C and X are the areas outside the 1-percent annual chance floodplain, areas of 1% annual chance sheet flow flooding where average depths are less than 1 foot, areas of 1% annual chance stream flooding where the contributing drainage area is less than 1 square mile, or areas protected from the 1% annual chance flood by levees. No Base Flood Elevations or depths are shown within this zone. Insurance purchase is not required in these zones.

Site Ratings

Location:	Good
Access:	Good

Zoning Designation

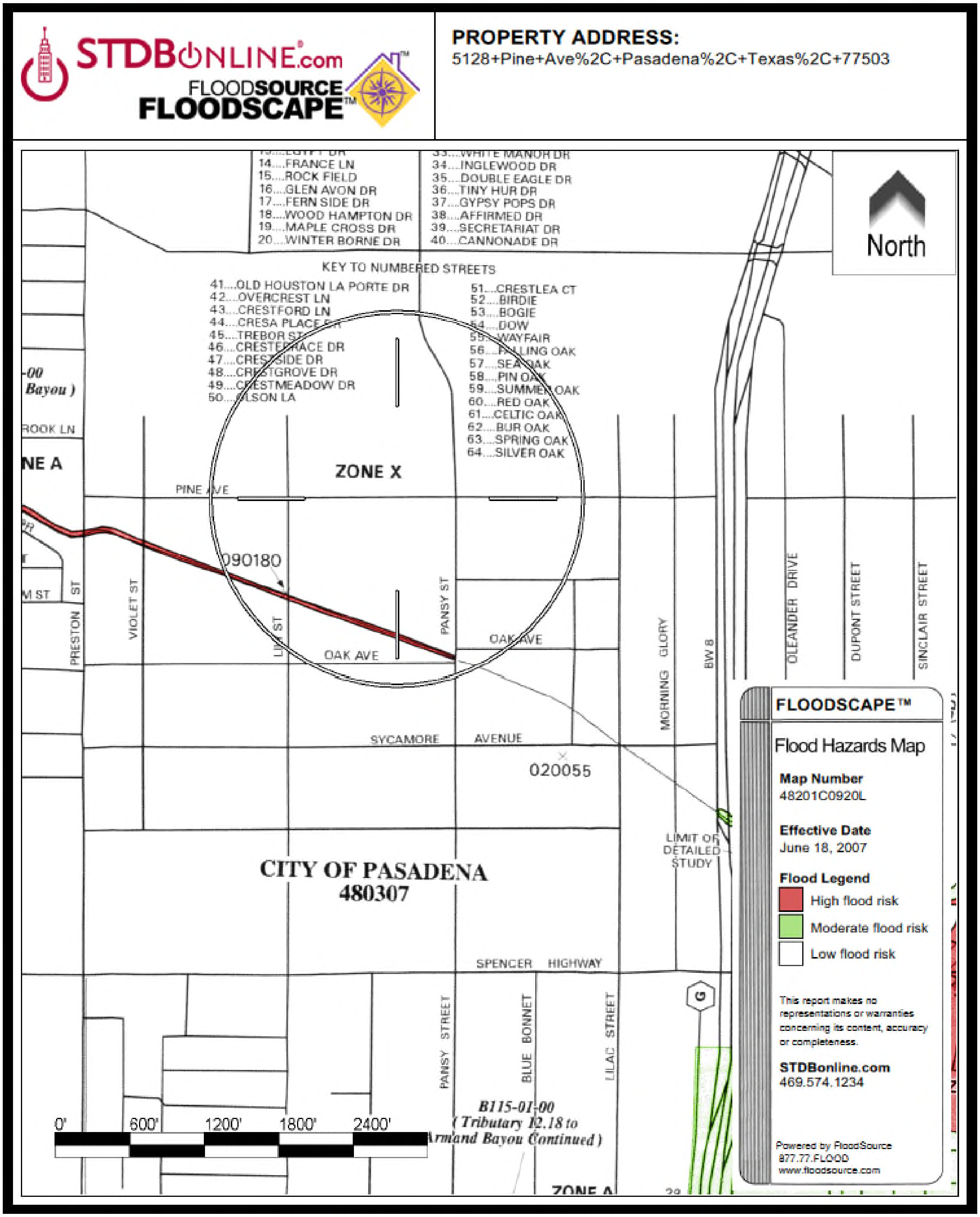
The site is located within the city of Pasadena and Harris County, which do not adhere to a comprehensive zoning ordinance.

Further, there are no known deed restriction that would limit the use of the subject property.

Analysis/Comments on Site:

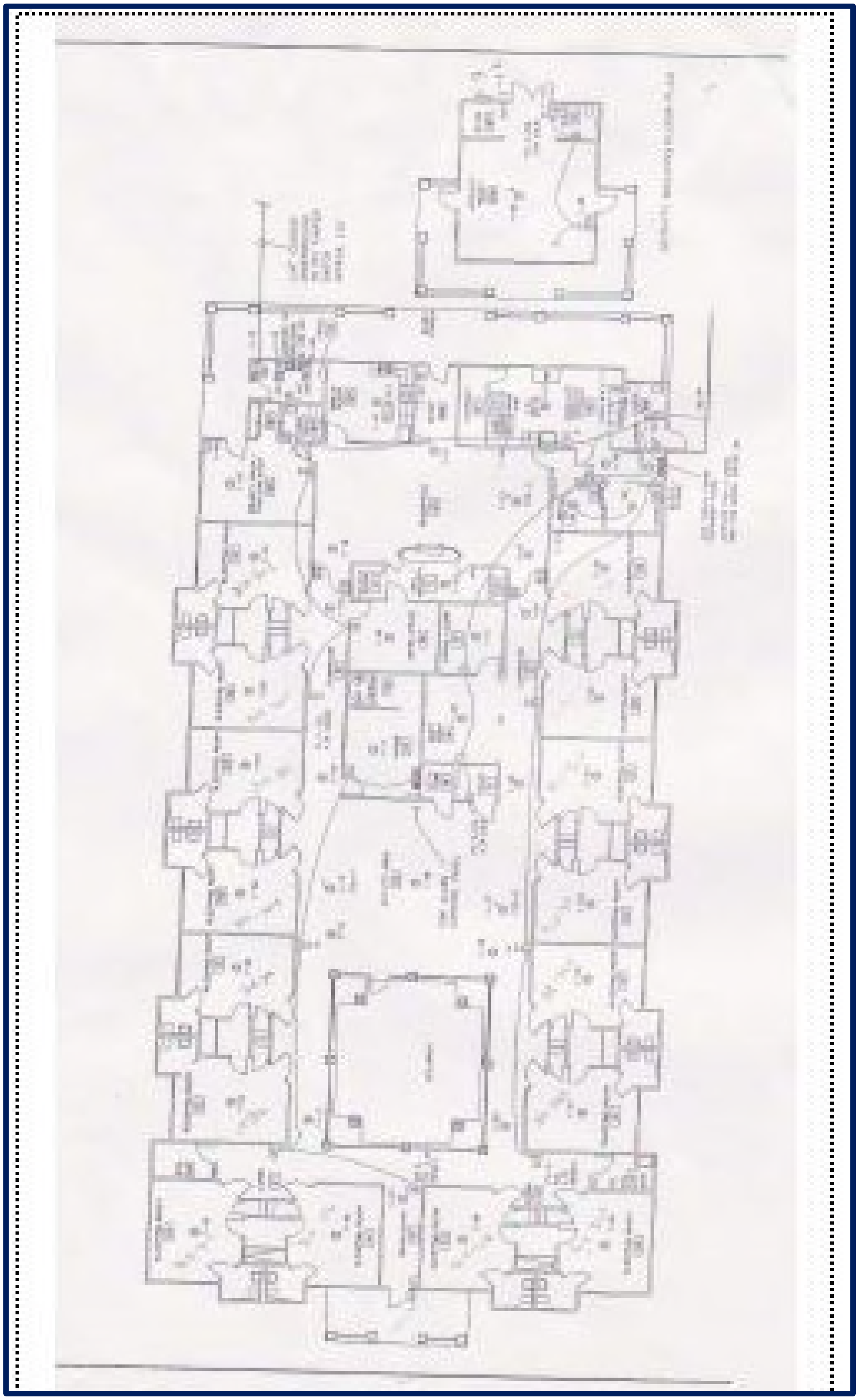
The subject property wraps the southwest corner of Pine Street and Pansy Street. The site is located within a residential area that has experienced a limited amount of recent development.

FLOOD MAP

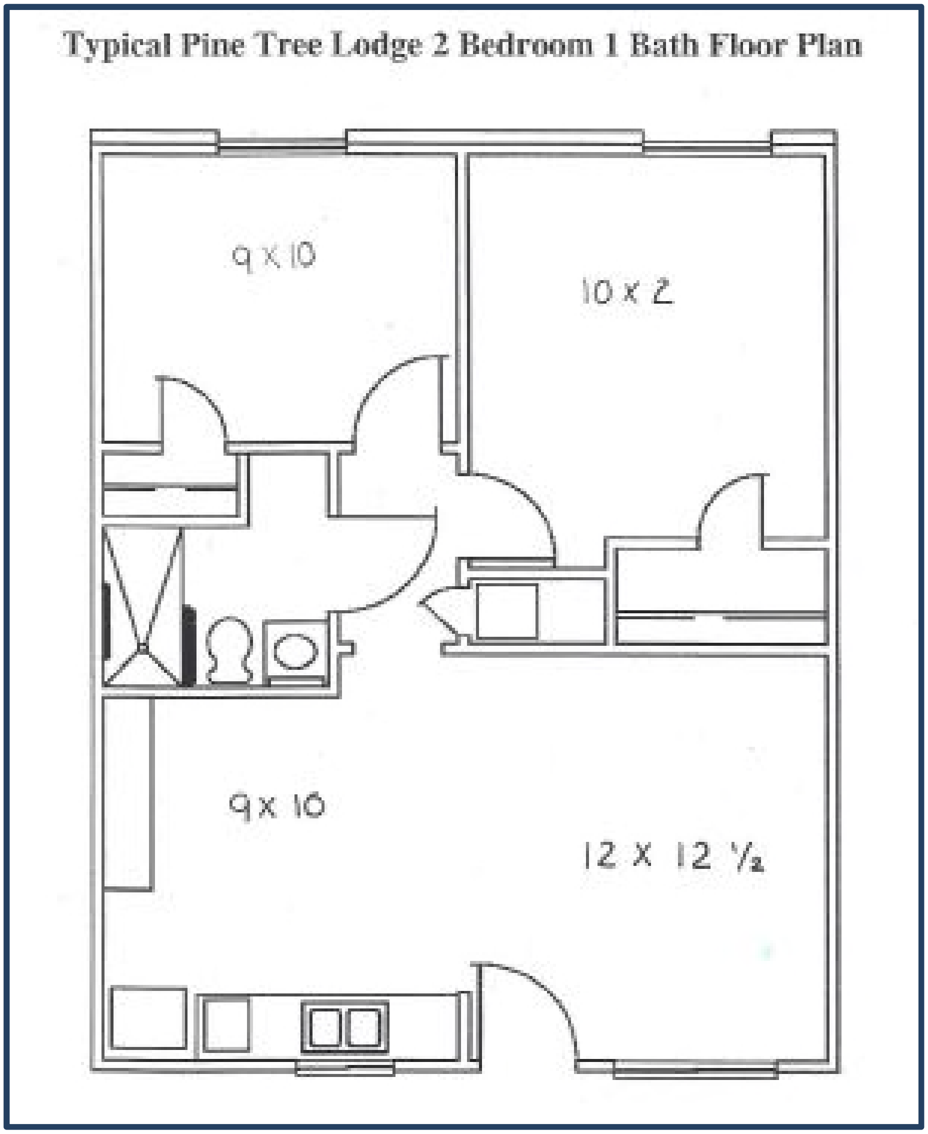

STDBONLINE.com
FLOODSOURCE
FLOODSCAPE™
PROPERTY ADDRESS:
5128+Pine+Ave%2C+Pasadena%2C+Texas%2C+77503
14....FRANCE LN
15....ROCK FIELD
16....GLEN AVON DR
17....FERN SIDE DR
18....WOOD HAMPTON DR
19....MAPLE CROSS DR
20....WINTER BORNE DR
34....INGLEWOOD DR
35....DOUBLE EAGLE DR
36....TINY HUR DR
37....GYPSY POPS DR
38....AFFIRMED DR
39....SECRETARIAT DR
40....CANNONADE DR
KEY TO NUMBERED STREETS
41....OLD HOUSTON LA PORTE DR
42....OVERCREST LN
43....CRESTFORD LN
51....CRESTLEA CT
52....BIRDIE
53....BOGIE
60....RED OAK
62....BUR OAK
63....SPRING OAK
64....SILVER OAK
North
ZONE X
PINE AVE
090180
OAK AVE
PANSY ST
VIOLET ST
PRESTON ST
SYCAMORE AVENUE
020055
MORNING GLORY
BW 8
OLEANDER DRIVE
DUPONT STREET
SINCLAIR STREET
LIMIT OF DETAILED STUDY
CITY OF PASADENA
480307
SPENCER HIGHWAY
PANSY STREET
BLUE BONNET
LILAC STREET
B115-01-00
(Tributary 12.18 to
Armand Bayou Continued)
ZONE A
0' 600' 1200' 1800' 2400'
FLOODSCAPE™
Flood Hazards Map
Map Number
48201C0920L
Effective Date
June 18, 2007
Flood Legend
High flood risk
Moderate flood risk
Low flood risk
This report makes no representations or warranties concerning its content, accuracy or completeness.
STDBonline.com
469.574.1234
Powered by FloodSource
877.77.FLOOD
www.floodsource.com

Improvements Description

FLOOR PLAN – THE COTTAGE



FLOOR PLAN – 2 BEDROOM UNIT



The following description is based on our appraisal inspection of the subject, assessor records, and information provided by the owner.

General Data

Property Type:	Senior Housing
Property Subtype:	Assisted Living Residences and Alzheimer Care
Number of Buildings:	The Lodge: 3
	The Cottage: 1
Number of Stories:	The Lodge: 2
	The Cottage: 1
Gross Building Area (GBA):	77,697 square feet (based on Harris County Appraisal District)
Number of Licensed Beds:	178
Number of Parking Spaces	50 with additional unmarked employee parking in rear

The subject site is improved with a 146-bed assisted living facility, known as The Lodge, and a 32-bed Alzheimer care facility known as The Cottage.

The facility features several common areas which include a lobby, day (television) room, dining rooms (one in the Cottage and one in the Lodge), and game room. The facility also features a beauty shop, administration offices, laundry room and chapel.

Unit Mix

The Lodge has a licensed capacity of 146 dually certified Medicare and Medicaid beds. The three buildings feature a total of 73 units which include one, two and three bedroom units. All units feature a private bedroom. The two and three bedroom units have a common living room, kitchen and bathroom.
Note, as of the date of inspection, 4 of the units were being utilized for storage. However, these units could easily be converted back to resident units with minimal costs if demand warranted.

The Cottage (Alzheimer care) features 16, double occupancy rooms. The Cottage is a secured facility in which all doors are locked at all time. Each unit has its own toilet and sink. A shower adjoins and is shared by two units. The showers are wheel chair accessible and each resident is provided assistance.

Unit Mix

Pine Tree Lodge	Total Units	Total Beds
Studio (Private)	2	2
One Bedroom	2	2
Two Bedroom	68	136
Three Bedroom	2	6
Total	74	146
Pine Tree Cottage		
Alzheimers Semi-Private	16	32
Total	**90**	**178**

Age / Life

The Lodge

Year Built:	1968/1980/1994
Actual Age:	46 years
Effective Age:	37 years
Typical Building Life:	60 years
Remaining Economic Life:	23 years

The Cottage

Year Built:	1993
Actual Age:	21 years
Effective Age:	15 years
Typical Building Life:	60 years
Remaining Economic Life:	45 years

The Lodge was originally construction as a garden, walk-up apartment community. The property was converted to an assisted living facility in 1980. The facility was renovated in 1994.

Considering the age and condition of the improvements, we have estimated an overall effective age of 20 years with a remaining economic life of 40 years for both buildings.

Exterior

Foundation:	Concrete slab
Frame/Walls:	Wood frame
Exterior Wall Finish:	Brick
Roof Material:	Pitched, Composition shingle

Interior

Floors:	Commercial grade carpet, vinyl tile, laminate “wood-like” flooring
Walls:	Gypsum wallboard
Ceiling Finish:	Gypsum board
Lighting Fixtures:	74
Furniture, Fixtures and Equipment:	Discussed within a later section of this report.

Bathrooms feature walk-in showers with tile surrounds and handicap accessible amenities which includes a pull string call system.

Mechanical Systems

Electrical:	Assumed to conform with local code.
Plumbing:	Assumed to conform with local code.
HVAC:	Roof-mounted package units.
Elevator:	One
Fire Protection:	Partial coverage

The Cottage features a fire system with sprinklers. The lodge features a fire alarm only.

Amenities

The residents have access to amenities that include:

- Coffee Parlor
- Dining Room/Activity Room
- Library
- Covered Patio
- Transportation
- Beauty Shop

Improvement Ratings

Quality:	Average
Condition:	Average
Functional Utility:	Adequate or designed for current use
Deferred Maintenance:	None
Overall Rating:	Average

Analysis/Comments on Improvements

The subject is an assisted living and Alzheimer care facility with a total license of 178 beds. The improvements are in average condition and the amenities are commensurate with similar facilities in the area.

Assessment and Tax Data

Assessment Methodology

The assessed value for the subject property is determined by the Harris County Appraisal District. The basis for property assessment or taxable value in this jurisdiction is 100% of appraised/market value. The subject property is currently under the ownership of Pine Tree Assisted Living LP and is not tax exempt.

Assessed Values and Property Taxes

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

Ad Valorem Tax Schedule
Parcel Numbers: 0612060120010, 0612060120017, 0612060120003, 0612060120011

Harris County Appraised Values	Actual 2013	Actual 2014	Appraiser's Estimate Year 1
Land:	$451,170	$451,170	$451,170
Improvements:	$3,027,590	$3,058,938	$5,778,830
Total:	$3,478,760	$3,510,108	$6,230,000
Per Square Foot:	$69.90	$70.53	$80.00
% Change:	N/A	0.9%	77.5%
Assessment Ratios			
Land:	100.00%	100.00%	100.00%
Improvements:	100.00%	100.00%	100.00%
Assessed Value			
Land:	$451,170	$451,170	$451,170
Improvements:	$3,027,590	$3,058,938	$5,778,830
Total:	$3,478,760	$3,510,108	$6,230,000
% Change:	N/A	0.9%	77.5%
Tax Rate	$2.763530	$2.748480	$2.748480
% Change:	N/A	-0.5%	0.0%
Millage Rate	per $100	per $100	per $100
Tax Expense	Actual 2013	Actual 2014	Appraiser's Estimate Year 1
Total:	$96,137	$96,475	$171,230
Per Bed:	$540	$542	$962
Per Square Foot:	$1.93	$1.94	$3.44

Assessment Comparables

To evaluate the reasonableness of the assessor's appraised value for the subject property within the market, we considered the assessor's appraised values for several comparable properties, which are presented in the table on the following page.

All of the comparables are above the subject assessment. There is risk of an increase in assessment.

Based on our knowledge of several multi-family sales within Harris County, current assessments are between 80% and 90% of the sale price. The subject's current assessment is approximately 35% of the concluded market value.

Conclusions

Considering the tax comparables and data presented, we have estimated the assessor's appraised value for the subject will increase to 60% to 70% of the concluded market value. A tax assessment of $6,230,000 or $35,000 per bed has been estimated. This indicates a tax burden of $171,230 or $962 per bed for the subject property.

According to the Harris County Tax Assessor's Office the subject's property taxes are current as of the date of value.

Tax Comparables

Tax Comp.	Assessor's Parcel Number	Property Name	Address	Land Size (Acres)	L-to-B Ratio	Building Size	Year Built	No. of Beds	Assessor's Appraised Value Total	Per Bed	PSF
1	1142000100001	Oak Shadows	4817 Allendale Road	4.861	1.54-to-1	137,660	1976	100	$3,182,948	$31,829	$23.12
2	1178570000001	Colonial Oaks	4006 Vista Road	2.658	2.73-to-1	42,440	1994	120	$2,909,933	$24,249	$68.57
3	1189810000001	Parsons House	8727 E Fairmont Parkway	5.640	8.31-to-1	29,576	1997	65	$2,489,400	$38,298	$84.17
Median						42,440	1994	100	$2,909,933	$31,829	$68.57
Subject	Numerous	Pine Tree Assisted Living	5128 Pine Avenue	3.453	3.02-to-1	49,771	1978	178	$3,510,108	$19,720	$70.53

Highest and Best Use

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

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

Analysis of Highest and Best Use as if Vacant

In determining the highest and best use of the property as though vacant, we focus on: 1) the existing use, 2) a projected development, 3) a subdivision, 4) an assemblage, or 5) holding the land as an investment.

Legally Permissible

The subject site is located within the city of Pasadena and Harris County, neither of which adhere to a comprehensive zoning ordinance.

Further, there are no known easements or restrictions that would adversely affect the overall development potential or market value of the site.

Physically Possible

The subject site is irregular in shape and contains 150,391 square feet or 3.45250 acres. Utilities available to the site include public water and sewer. The site has good visibility. According to flood plain maps, the property is 100.00% percent outside of the 100-year flood plain. The physical attributes of the subject site are suitable for multi-family development.

Financially Feasible

After determining the uses that are physically possible and legally permissible, an appraiser considers the uses that are likely to produce an adequate return on investment based on a cost/benefit analysis or through direct market observation.

Apartment Data Services February 2015 market report indicates the Pasadena/Deer Park submarket has experienced steady gains in occupancy and rental rates over the previous 12 months. Rental rates increased 3.4% over the previous 3 months. Occupancy levels rose a modest 1.0% over the previous twelve months. Furthermore, no new product has entered the market since 2011. Current market conditions support development.

Maximally Productive

Among the financially feasible uses, the use that results in the highest value (the maximally productive use) is the highest and best use. Considering these factors, the maximally productive use as though vacant is for multi-family use.

Conclusion of Highest and Best Use as though Vacant

The conclusion of the highest and best use as though vacant, as analyzed in the previous sections, is for multi-family use.

Analysis of Highest and Best Use as Improved

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

The improvements are in average condition, and the property can continue to support the existing improvements well into the future. The property meets the current market expectations for the submarket in which it competes. However, the subject property is currently operating at a below stabilized occupancy level at 71.91%. Administrator, Jamie Molen indicated they have a waiting list for private apartments. All private apartments at the subject property are full. Modification of the property would permit rental rates to increase and/or vacancy and expenses to decrease sufficiently to make modifications financially feasible. Modifications would entail removing a wall in the two bedroom units. This is somewhat speculative since there is no plan in place. We have utilized the subject's current unit mix throughout the remainder of the report.

Our analysis concludes that existing assisted living improvement contributes to the overall value of the site. Further, it is not feasible to demolish the existing improvements in favor of new construction at this time.

Conclusion Of Highest And Best Use As Improved

The highest and best use of the subject property, as improved, is current use.

Most Probable Buyer/User

As of the date of value, the most probable buyer of the subject property is an owner/operator of an assisted living facility and the most probable user would be a owner/operator.

Appraisal Methodology

Three Approaches to Value

There are three traditional approaches typically available to develop indications of real property value: the cost, sales comparison, and income capitalization approaches.

Cost Approach

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

Sales Comparison Approach

The sales comparison approach involves the direct comparison of sales and listings of similar properties, adjusting for differences between the subject property and the comparable properties. This method can be useful for valuing general purpose properties or vacant land. For improved properties, it is particularly applicable when there is an active sales market for the property type being appraised – either by owner-users or investors.

Income Capitalization Approach

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

Subject Valuation

The subject property is an assisted living and memorial care senior living property that was constructed in several phases from 1968 to 1993. The improvements have also undergone several renovations over its lifetime. The sales comparison and income capitalization approaches were used in determining the value of the property.

The cost approach has not been used in our analysis. The cost approach is generally applicable when the property is new and does not suffer significant depreciation or obsolescence. Also, recent land sales that are comparable to the subject add to the credibility of this approach. In the case of the subject, it has an actual age of more than 20 years, and suffers from a significant amount if incurable physical depreciation. Also, it is in an area of limited growth and new development, and recent land sales are limited. Given these limitations, the cost approach is not applicable and has not been developed in this appraisal. Its exclusion does not diminish the credibility of the assignment result.

A limited application of the cost approach is developed in the allocation of the components of MVTAB.

Sales Comparison Approach

Methodology

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

Unit of Comparison

The primary unit of comparison selected depends on the appraisal problem and nature of the property. The primary unit of comparison in the market for senior housing properties such as the subject property is price per bed.

Elements of Comparison

Elements of comparison are the characteristics or attributes of properties and transactions that cause the prices of real estate to vary. The main elements of comparison that should be considered in sales comparison analysis are as follows: (1) real property rights conveyed, (2) financing terms, (3) conditions of sale, (4) expenditures made immediately after purchase, (5) market conditions, (6) location and (7) physical characteristics.

Comparable Sales Data

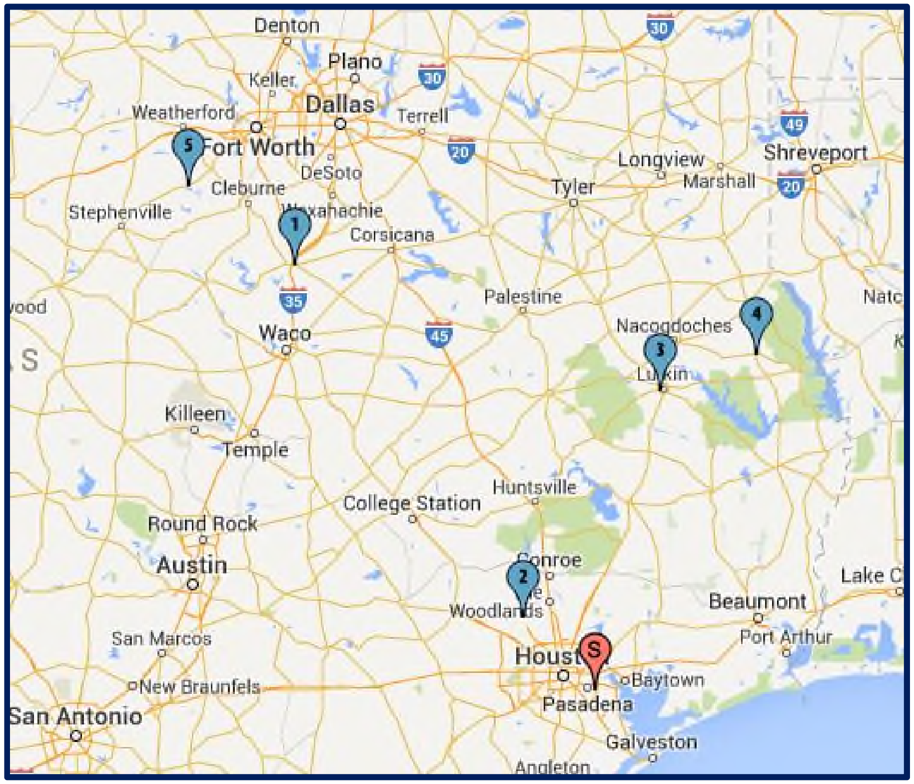
A search of data sources and public records, a field survey, interviews with knowledgeable real estate professionals in the area, as well as a review of our internal database was also conducted to obtain and verify comparable sales and listings of assisted living properties.

We have included six sales in our analysis, as these sales are judged to be the most comparable in developing an indication of the market value of the subject property. The following table summarizes each of the sale comparables and is followed by a map displaying the location of each comparable in relation to the subject. Summary sheets detailing each comparable follow the location map.

Improved Sales Summary

Improved Sale No.	Date of Sale	Property Name	Location		Year Built	Net Rentable Area	Occupancy at Time of Sale	Unadjusted Sale Price	Per Bed	PSF
1	January-15	The Legends at Hillsboro	110 Outlet Drive	Hillsboro, Texas	1999	29,780	93.0%	$4,150,000	$90,217	$139.36
2	December-14	Souther Knights Assisted Living Center	27919 Johnson Road	Tomball, Texas	1999	20,793	100.0%	$2,700,000	$72,973	$129.85
3	January-13	The Meadows	408 Della Russell Road	Lufkin, Texas	1995	31,848	N/A	$2,000,000	$32,787	$62.80
4	May-12	El Camino House	1997 Davidson Drive	San Augustine, Texas	1997	30,251	85.0%	$2,400,000	$60,000	$79.34
5	March-12	Courtyard at Lake Granbury	801 Calinco Drive	Granbury, Texas	2005	101,931	90.0%	$7,000,000	$85,366	$68.67

COMPARABLE SALES MAP



IMPROVED OFFICE COMPARABLE 1

Sale ID	43067
Sale Status	Closed
Property Name	The Legends at Hillsboro
Address	110 Outlet Drive Hillsboro, Texas 76645
TaxID/APN	207791

Sales Data

Sale Price	$4,150,000
Grantor	Double Vision LP
Grantee	Confidential
Sale Date	01-30-2015
Document #	Not Available
Property Rights	Fee Simple
Financing	Cash to Seller
Conditions of Sale	Typical

Property Description

Land Sq Ft	180,338
Land Acres	4.14000
Gross Building SF	29,780
Net Rentable SF	29,780
Land to Building Ratio	6.06
Tenancy	Multi Tenant
Access/Visibility	Average/Fair to Average
Year Built	1999
Condition	Good
Exterior Walls	Brick
Roof Type	Pitched
No. of Stories	1
Parking Description	Surface
No. of Parking Spaces	N/A
% Built Out	100

Financial Data

Price per SF (GBA)	$139.36	$139.36
Price per SF (NRA)	$139.36	$139.36
Vacancy	.0%	7.0%

	Actual	**Stabilized**
Base Rent	$1,361,685	$1,464,177
Other Revenue		
PGI	$1,361,685	$1,464,177
V&C Loss		$102,492
EGI	$1,361,685	$1,361,685
Expenses	$975,448	$986,948
NOI	$386,237	$374,737
OER on EGI	71.64%	72.48%
NOI/NRA	$12.97	$12.58
Overall Cap Rate	9.31%	9.03%
Cash on Cash	14.470%	13.540%

Comments

The Legends at Hillsboro is a 46 unit assisted living facility located in Hillsboro, Texas. Hillsboro is located 62 miles southwest of Dallas and is located within the area of Texas known as 'The Hill Country'.

At the time of sale the facility had a census of 93%. The seller was an independent owner-operator looking to exit the senior housing business. The buyer is a regional owner/operator who is based in East Texas. The actual pro-forma was based on 2014 operating income provided by the broker. The stabilized pro-forma has been adjusted to included reserves.

IMPROVED OFFICE COMPARABLE 2

Sale ID	43068
Sale Status	Closed
Property Name	Souther Knights Assisted Living Center
Address	27919 Johnson Road Tomball, Texas 77375
TaxID/APN	1201070000001

Sales Data

Sale Price	$2,700,000
Grantor	Southern Knights Inc.
Grantee	Tomball Senior Housing Partners
Sale Date	12-31-2014
Document #	20140583305
Property Rights	Fee Simple
Financing	Cash to Seller
Conditions of Sale	Typical

Property Description

Land Sq Ft	187,308
Land Acres	4.30000
Gross Building SF	20,793
Net Rentable SF	20,793
Land to Building Ratio	9.01
Tenancy	Multi Tenant
Access/Visibility	Average/Average
Year Built	1999
Condition	Good
Exterior Walls	Brick
Roof Type	Pitched
No. of Stories	1
Parking Description	Surface
No. of Parking Spaces	N/A
% Built Out	100

Financial Data

Price per SF (GBA)	$129.85	$129.85
Price per SF (NRA)	$129.85	$129.85
Vacancy	.0%	10.0%
	Actual	**Stabilized**
Base Rent	$1,240,581	$1,240,581
Other Revenue		
PGI	$1,240,581	$1,240,581
V&C Loss		$124,058
EGI	$1,240,581	$1,116,523
Expenses	$1,116,971	$1,126,221
NOI	$123,610	-$9,698
OER on EGI	90.04%	100.87%
NOI/NRA	$5.94	-$.47
Overall Cap Rate	4.58%	-.36%
Cash on Cash	-1.300%	-17.750%

Comments

Southern Knights Assisted Living is a 37 unit assisted living facility located in Tomball, Texas. Tomball is located 35 miles northwest of Houston and in northwest Harris County. All suites are private and feature ADA bathrooms with call system. Amenities include a community library and lounge, free basic cable, and outdoor patio area.

The seller is an independent owner-operator looking to exit the senior housing business. The buyer is a regional owner-operator who is based in Oregan. The facility has been just better than break-even for 2013 and YTD 2014. The property was full with a waiting list at the time of sale. The actual pro-forma is based on YTD 2014 income provided by the listing broker. The stabilized pro-forma includes the appraisers' estimate of market vacancy and reserves.

IMPROVED OFFICE COMPARABLE 3

Sale ID	43071
Sale Status	Closed
Property Name	The Meadows
Address	408 Della Russell Road Lufkin, Texas 75904
TaxID/APN	83057

Sales Data

Sale Price	$2,000,000
Grantor	Fairway Associates
Grantee	JJMR LLC
Sale Date	01-30-2013
Document #	20130301331
Property Rights	Fee Simple
Financing	Cash to Seller
Conditions of Sale	Typical

Property Description

Land Sq Ft	45,651
Land Acres	1.04800
Gross Building SF	31,848
Net Rentable SF	31,848
Land to Building Ratio	1.43
Tenancy	Multi Tenant
Access/Visibility	Average/Average
Year Built	1995
Condition	Average to Good
Exterior Walls	Brick
Roof Type	Pitched
No. of Stories	1
Parking Description	Surface
No. of Parking Spaces	N/A
% Built Out	100

Financial Data

	Actual	Stabilized
Price per SF (GBA)	$62.80	$69.08
Price per SF (NRA)	$62.80	$69.08
Vacancy		15.0%
Base Rent		$2,122,800
Other Revenue		
PGI		$2,122,800
V&C Loss		$318,420
EGI		$1,804,380
Expenses		$1,586,610
NOI		$217,770
OER on EGI		87.93%
NOI/NRA		$6.84
Overall Cap Rate		9.90%
Cash on Cash		19.740%

Comments

This property is located along Della Russell Road, just west of Loop 287 in Lufkin. The facility is located near the Woodland Heights Medical Center, which is known for its cardiac unit. The medical center is part of the Memorial Health Care System of East Texas, the largest health care system in East Texas providing care to almost a quarter of a million patients per year.

The facility features studio, deluxe and two bedroom floorplans. Amenities include daily activities, library, fitness center and beauty salon. A new sprinkler system was required to achieve a Type B license. The cost of the sprinkler system was $200,000 which has been added to the sales price.

The stabilized pro-forma was estimated by the appraiser and based on market data available.

IMPROVED OFFICE COMPARABLE 4

Sale ID	43074
Sale Status	Closed
Property Name	El Camino House
Address	1997 Davidson Drive San Augustine, Texas 75972
TaxID/APN	22218

Sales Data

Sale Price	$2,400,000
Grantor	Robert S. Greenlaw
Grantee	Sheppel San Augustine, LLC
Sale Date	05-24-2012
Document #	20140245032
Property Rights	Fee Simple
Financing	Cash to Seller
Conditions of Sale	Typical

Property Description

Land Sq Ft	142,267
Land Acres	3.26600
Gross Building SF	30,251
Net Rentable SF	30,251
Land to Building Ratio	4.70
Tenancy	Multi Tenant
Access/Visibility	Average/Average
Year Built	1997
Condition	Average to Good
Exterior Walls	Brick
Roof Type	Pitched
No. of Stories	1
Parking Description	Surface
No. of Parking Spaces	N/A
% Built Out	100

Financial Data

Price per SF (GBA)	$79.34	$79.34
Price per SF (NRA)	$79.34	$79.34
Vacancy		15.0%
	Actual	**Stabilized**
Base Rent		$1,121,280
Other Revenue		
PGI		$1,121,280
V&C Loss		$168,192
EGI		$953,088
Expenses		$781,532
NOI		$171,556
OER on EGI		82.00%
NOI/NRA		$5.67
Overall Cap Rate		7.15%
Cash on Cash		7.270%

Comments

This property is located along Davidson Drive, behind Twin Lakes Nursing Center. The center has limited access/frontage and poor visibility.

The facility features one bedroom, private units that are centered around a landscaped courtyard with fountain. Each unit has an individually controlled HVAC system. The facility has tiered levels of service, which is common for this market. Additional project amenities include: daily activities, library, courtyard, media room, private dining and fitness center.

IMPROVED OFFICE COMPARABLE 5

Sale ID	43082
Sale Status	Closed
Property Name	Courtyard at Lake Granbury
Address	801 Calinco Drive Granbury, Texas 76048
TaxID/APN	R000096531

Sales Data

Sale Price	$7,000,000
Grantor	Oak Partners LP
Grantee	CSL Granbury LLC
Sale Date	03-01-2012
Document #	20120002112
Property Rights	Fee Simple
Financing	Cash to Seller
Conditions of Sale	Typical

Property Description

Land Sq Ft	258,746
Land Acres	5.94000
Gross Building SF	101,931
Net Rentable SF	101,931
Land to Building Ratio	2.54
Tenancy	Multi Tenant
Access/Visibility	Average/Average
Year Built	2005
Condition	Good
Exterior Walls	Brick
Roof Type	Pitched
No. of Stories	1
Parking Description	Surface
No. of Parking Spaces	N/A
% Built Out	100

Financial Data

Price per SF (GBA)	$68.67	$68.67
Price per SF (NRA)	$68.67	$68.67
Vacancy		10.0%
	Actual	**Stabilized**
Base Rent		$2,097,969
Other Revenue		
PGI		$2,097,969
V&C Loss		$209,797
EGI		$1,888,172
Expenses		$1,223,172
NOI		$665,000
OER on EGI		64.78%
NOI/NRA		$6.52
Overall Cap Rate		9.50%
Cash on Cash		15.110%

Comments

This property is located within Granbury, several miles southwest of Fort Worth. The facility features studio apartments that range from 360 to 410 square feet; one bedroom apartments that range from 410 to 470 square feet and two bedroom units that range from 650 to 690 square feet. Units feature fire alarms and sprinklers, call buttons and walk-in showers with hand rails.

Sales Comparison Analysis

All of the sales are analyzed, and adjustments are made for differences in the various elements of comparison, including real property rights, financing terms, conditions of sale, expenditures made immediately after purchase, market conditions, location, size, and other relevant factors. If the comparable sale is considered superior to the subject, we applied a negative adjustment to the comparable. A positive adjustment to the comparable is applied if it is considered inferior to the subject. A summary of the elements of comparison follows.

Transaction Adjustments

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

1. Real Property Rights Conveyed
2. Financing Terms
3. Conditions of Sale
4. Expenditures Made Immediately After Purchase

The adjustments are discussed as follows:

Real Property Rights Conveyed

In the case of the subject property, the fee simple interest is being appraised. The sale comparables all reflect the fee simple interest as well, with no adjustments required.

Financing Terms

The transaction price of one property may differ from that of an identical property due to different financial arrangements. Sales involving financing terms that are not at or near market terms require adjustments for cash equivalency to reflect typical market terms. A cash equivalency procedure discounts the atypical mortgage terms to provide an indication of value at cash equivalent terms.

All of the comparable sales involved typical market terms by which the sellers received cash or its equivalent and the buyers paid cash or tendered typical down payments and obtained conventional financing at market terms for the balance. Therefore, no adjustments for this category were required.

Conditions of Sale

When the conditions of sale are atypical, the result may be a price that is higher or lower than that of a normal transaction. Adjustments for conditions of sale usually reflect the motivations of either a buyer or a seller who is under duress to complete the transaction. Another more typical condition of sale involves the downward adjustment required to a comparable property's for-sale listing price, which usually reflects the upper limit of value.

A review of the sales did not indicate any condition of sale adjustments to be warranted for atypical conditions or for sale listings.

Expenditures Made Immediately After Purchase

A knowledgeable buyer considers expenditures that will have to be made upon purchase of a property because these costs affect the price the buyer agrees to pay. Such expenditures may include: (1) costs to cure deferred maintenance, (2) costs to demolish and remove any portion of the improvements, (3) costs to petition for a zoning change, (4) costs to remediate environmental contamination and/or (5) costs to occupy or lease-up the property to a stabilized occupancy

The relevant figure is not the actual cost incurred, but the cost that was anticipated by both the buyer and seller. Unless the sales involved expenditures anticipated upon the purchase date, no adjustments to the comparable sales are required for this element of comparison.

A new sprinkler system was required at Sale 3 to achieve a Type B license. The cost of the sprinkler system was $200,000, which has been added to the sale price.

Market Conditions Adjustment

Market conditions change over time as a result of inflation, deflation, fluctuations in supply and demand and other factors. Changing market conditions creates the need for adjustments to sale comparables that represent transactions during periods of dissimilar market conditions.

Discussions with market participants indicate the assisted living property market started to improve in 2011, with several recent sales implying lower overall capitalization rates. Further, most markets have begun to experience growth in rental rates and positive absorption. As such, we have applied an annual upward adjustment of 2.0% to the sale comparables.

Property Adjustments

Property adjustments are usually expressed quantitatively as percentages that reflect the increase or decrease in value attributable to the various characteristics of the property. In some instances, however, qualitative adjustments are used. These adjustments are based on locational and physical characteristics and are applied after the application of transaction and market conditions adjustments.

The adjustments are discussed as follows:

Location

Location adjustments may be required when the locational characteristics of a comparable are different from those of the subject. These characteristics can include general neighborhood characteristics, freeway accessibility, street exposure, corner versus interior lot location, neighboring properties, view amenities, and other factors.

The subject is located within a residential area within the city of Pasadena. The area has experienced a limited amount of recent development and growth within the previous decade.

Sale 1, The Legends of Hillsboro is located in Hillsboro, Texas, approximately 62 miles southwest od Dallas. More specifically, the comparable is located 0.22 miles east of Interstate 35, behind the Hillsboro Outlet Mall. Comparably, the facility is located within a rural area with an inferior population base. Moreover, income demographics are inferior to the subject neighborhood. An upward adjustment was applied.

Sale 2 is located 35 miles northwest of Houston within Tomball, Texas. The comparable is located within a mixed-use area, just east of Business 249. Neighborhood demographics indicate less dense population. However, median household incomes are well above averages within the subject neighborhood. No adjustment has been applied to the comparable.

Sale 3 is located within Lufkin. More specifically, the comparable is located along Della Russell north of West Frank Avenue and east of Highway 287. The property is located within a mixed-use are that consists of industrial and residential development. In general, the city of Lufkin is experiencing a steady amount of growth and development. However, the growth is primarily occurring to the south and north. The immediate vicinity is characterized by older development and limited growth. No adjustments were applied.

Improved Sale 4 is located outside of the city limits of San Augustine, Texas. The immediate vicinity is primarily rural in nature. More significantly, the comparable has limited visibility and accessibility from the roadway. The facility is located behind Twin Lake Nursing Center. An upward adjustment was warranted.

Sale 5 is located southwest of Fort Worth within the city limits of Granbury. The comparable is located within a growth oriented area that has experienced a steady amount of recent development. A downward adjustment was warranted.

Age/Condition

All else being equal, older properties typically command a lower price per square foot than newer properties. However, although a property may be physically older than another property, the effective age may be similar to a newer property and no adjustment may be indicated. This may be due to the older property being well maintained or a recent renovation. . We have based this adjustment category on the effective age of the comparables and not their physical age, as this takes the overall condition of a property into consideration.

The subject property was constructed in two phases from 1968 to 1993. The improvements are average condition. An effective age of 20 years has been estimated by the appraisers.

Improved Sales 1, 2, 3 and 4 were constructed from 1995 to 1999. The improvements are in above average to good condition and a downward adjustment was warranted.

Improved Sale 5 was constructed in 2005 and is in good condition. A downward adjustment was warranted.

Construction Quality

The subject property consists of average construction quality.

The improved sales feature average construction qualities and no adjustments were applied.

Design/Functional Utility

The subject is functional in its design for use as an assisted living facility. However, the subject features a large percentage of semi-private rooms in which the resident shares common areas which include a living room, kitchen and bath.

The sale comparables primarily feature private rooms. A downward adjustment of 10% has been applied to the comparables.

Amenities

The subject and the comparables include housekeeping, laundry services and three meals per day within their monthly rent. Other typical amenities include: transportation, daily activities and an outdoor seating area.

The subject and the comparables feature similar amenity levels.

Summary of Adjustments

Based on the preceding analysis, we have summarized adjustments to the sale comparables on the following adjustment grid. These quantitative adjustments are based on our market research, best judgment, and experience in the appraisal of similar properties.

COMPARABLE SALES ADJUSTMENT GRID

Improved Sales Comparison Approach Adjustment Grid

		Subject	Sale # 1	Sale # 2	Sale # 3	Sale # 4	Sale # 5
Sale ID			43067	43068	43071	43074	43082
Date of Value & Sale		February-15	January-15	December-14	January-13	May-12	March-12
Property Name		Pine Tree Assisted Living	The Legends at Hillsboro	Souther Knights Assisted Living Center	The Meadows	El Camino House	Courtyard at Lake Granbury
Net Rentable Area		49,771 sf	29,780	20,793	31,848	30,251	101,931
Number of Beds		178 beds	46 beds	37 beds	61 beds	40 beds	82 beds
Land Area		3.4525	4.1400	4.3000	1.0848	3.2660	5.9400
Unadjusted Sale Price			$4,150,000	$2,700,000	$2,000,000	$2,400,000	$7,000,000
Unadjusted Sale Price per Sq. Ft. of NRA			**$139.36 psf**	**$129.85 psf**	**$62.80 psf**	**$79.34 psf**	**$68.67 psf**
Unadjusted Sale Price per Bed			**$90,217 per bed**	**$72,973 per bed**	**$32,787 per bed**	**$60,000 per bed**	**$85,366 per bed**
Transactional Adjustments							
Property Rights Conveyed		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjustment			0.0%	0.0%	0.0%	0.0%	0.0%
Financing Terms		Conventional	Cash to Seller	Cash to Seller	Cash to Seller	Cash to Seller	Cash to Seller
Adjustment			0.0%	0.0%	0.0%	0.0%	0.0%
Conditions of Sale		Typical		Typical	Typical	Typical	Typical
Adjustment			0.0%	0.0%	0.0%	0.0%	0.0%
Expenditures after Sale			$0	$0	$200,000	$0	$0
Adjustment			0.0%	0.0%	10.0%	0.0%	0.0%
Net Transaction Adjustment			0.0%	0.0%	10.0%	0.0%	0.0%
Adjusted Sale Price per Sq. Ft. of NRA			**$139.36**	**$129.85**	**$69.08**	**$79.34**	**$68.67**
Adjusted Sale Price per Bed			**$90,217**	**$72,973**	**$36,066**	**$60,000**	**$85,366**
Market Conditions Adjustments							
Elapsed Time from Date of Value			0.02 years	0.10 years	2.02 years	2.71 years	2.94 years
Market Trend Through		February-15	0.0%	0.2%	4.0%	5.4%	5.9%
Adjusted Sale Price per Sq. Ft. of NRA			**$139.41**	**$130.11**	**$71.87**	**$83.63**	**$72.71**
Adjusted Sale Price per Bed			**$90,252**	**$73,121**	**$37,522**	**$63,248**	**$90,380**
Property Adjustments							
Location		5128 Pine Avenue Pasadena, Texas	110 Outlet Drive Hillsboro, Texas	27919 Johnson Road Tomball, Texas	408 Della Russell Road Lufkin, Texas	1997 Davidson Drive San Augustine, Texas	801 Calinco Drive Granbury, Texas
Adjustment			10.0%	0.0%	10.0%	20.0%	-10.0%
Age/Condition	Year Built	1978	1999	1999	1995	1997	2005
Adjustment			-10.0%	-10.0%	-10.0%	-10.0%	-15.0%
Construction Quality		Average Class	Average to Good Class	Average to Good Class	Average to Good Class	Average to Good Class	Average to Good Class
Adjustment			0.0%	0.0%	0.0%	0.0%	0.0%
Design/Functional Utility							
Adjustment			-10.0%	-10.0%	-10.0%	-10.0%	-10.0%
Amenities							
Adjustment			0.0%	0.0%	0.0%	0.0%	0.0%
Net Property Adjustment			-10.0%	-20.0%	-10.0%	0.0%	-35.0%
Adjusted Sale Price per Sq. Ft. of NRA			**$125.47**	**$104.09**	**$64.68**	**$83.63**	**$47.26**
Adjusted Sale Price per Bed			**$81,227**	**$58,497**	**$33,770**	**$63,248**	**$58,747**

Minimum Adjusted Sale Price (PSF)	$47.26	$33,770
Maximum Adjusted Sale Price (PSF)	$125.47	$81,227
Median Adjusted Sale Price (PSF)	$83.63	$58,747
Mean Adjusted Sale Price (PSF)	$85.03	$59,098

Sales Comparison Approach Value Indication

From the market data available, assisted living sales in competitive market areas were selected as most comparable to the subject. The unadjusted sale prices for the comparable sales ranged from $32,787 to $90,217 per bed.

We have adjusted the comparable sales based on pertinent elements of comparison as discussed earlier and summarized the adjustments in the preceding grid. The final adjusted sale prices reflected a range from $33,770 to $81,227 per bed with an average of $59,008 per bed and a median of $58,747 per bed.

Sale 3 is an outlier. Based on the adjusted prices and the most comparable sale, a unit value for the subject property is near the middle of the adjusted range, or $60,000 per bed. This indicates a preliminary market value of the total assets of the business of $10,680,000.

Lease-up Discount

The preliminary market value indication is based on the subject property operating at a stabilized occupancy. However, the subject property is currently operating at a below-stabilized occupancy of 76.97%. Therefore, a lease-up discount (LUD) is necessary to reflect the as is market value indication.

Our analysis of the lease-up discount has been considered using a calculated lease-up adjustment schedule.

Our market research and conversations with market participants revealed that there is adequate demand for units within the market. Jamie Molen, Administrator of the subject facility indicated there is moderate demand for the facility with a majority of the demand for private units. Considering the limited supply in the market and current demand, a lease-up period of 18 months has been estimated be the appraisers.

The schedule indicated a total lease-up discount of $460,000. A copy of the lease-up discount in located in the addenda.

As Is Market Value Indication of the Total Assets of the Business

Applying this adjustment to the preliminary value indicates an as is market value of the total assets of the business of **$10,220,000** (rounded), based on the sales comparison approach.

Based on this analysis, the sales comparison approach value indication is summarized as follows:

VALUE INDICATION

Improved Sales Comparison Approach Value Indication				
Indicated Reasonable Value Range				
178 Beds	x	$55,000	=	$9,790,000
178 Beds	x	$65,000	=	$11,570,000
Preliminary As Stabilized Fee Simple Value Indication				
178 Beds	x	**$60,000**	=	$10,680,000
As Stabilized Market Value Indication				**$10,680,000**
Less: Lease-Up Discount				$460,000
As Is Market Value Indication				**$10,220,000**

Income Capitalization Approach

The income approach to value is predicated on the assumptions that there is a direct relationship between the amount of income a property is capable of earning and its value.

The potential gross income (PGI) estimate is typically obtained by a comparison with other properties, similarly improved, which are rented at this time or have been rented. In addition, the subject property income is based upon Medicaid reimbursements and differ based upon the patient and their financial background, which the government factors into a rate analysis to determine the amount of payment per bed per participant. An estimate for vacancy and collection loss is deducted from the estimated gross annual income and the estimated annual expense incurred in producing this annual gross income. Gross rental income minus vacancy and collection loss is referred to as effective gross income (EGI).

The expense estimate has taken into consideration a provision for the appropriate items of expense as found typical in the market for this type of property. When the annual expenses are deducted from the effective gross annual income, an indication of the net operating income (NOI) is produced. The net operating income is then capitalized into a value indication using an appropriate overall capitalization rate that considers typical financing and investor expectations for the property.

Revenue

Revenue sources for assisted living facilities include Medicaid and private pay.

Medicaid

The Community Based Alternatives (CBA) program provides home and community based services to people who are older or who have disabilities as a cost-effective alternative to a nursing home. Services provided include: adaptive aids and medical supplies, adult foster care, assisted living, dental, emergency response services, financial management services, home delivered meals, minor home modifications, nursing, occupational therapy, personal assistant services, physical therapy, respite care, prescription drugs, speech therapy, support consultation, and transition assistance services.

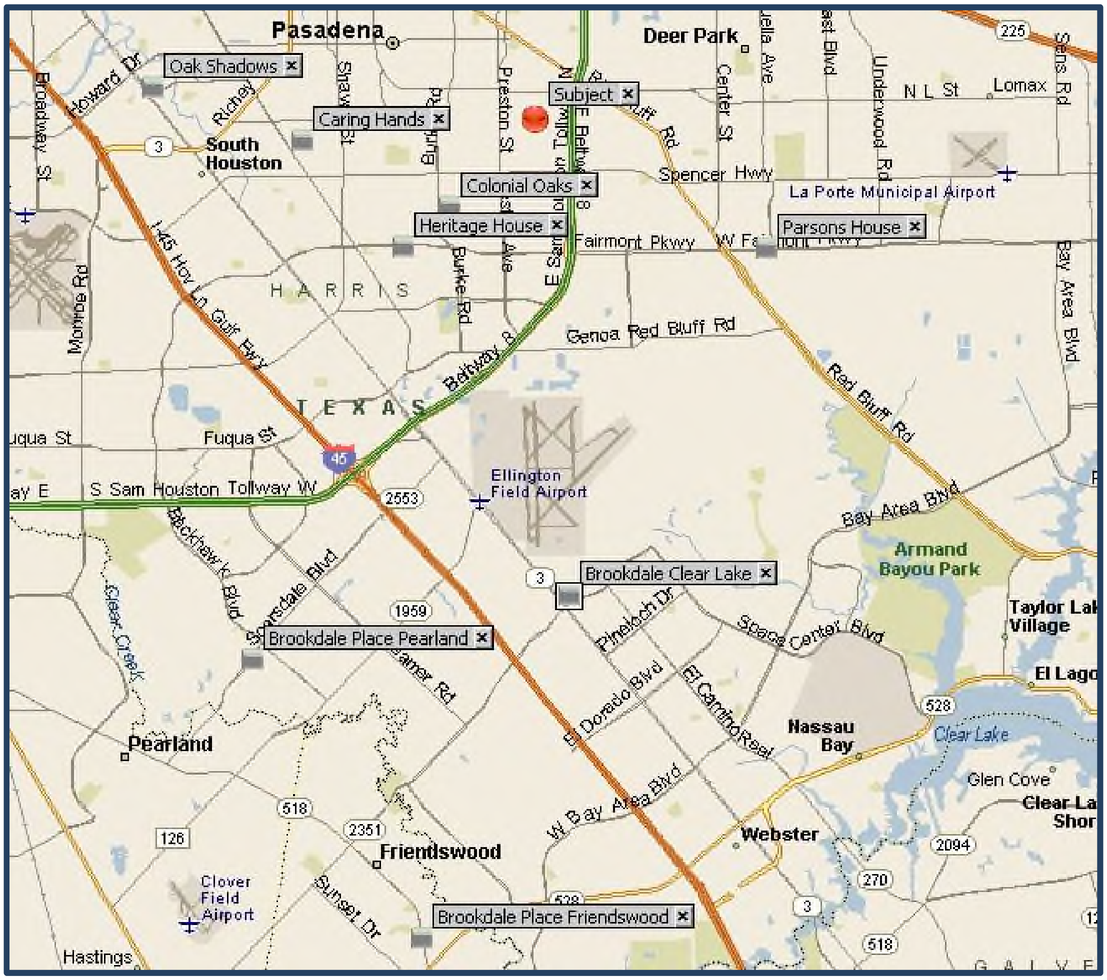
The growing popularity of assisted living facilities is promoting many states to expand the scope of Medicaid, in an attempt to help individuals pay for the high costs of living in retirement communities.

Private Pay

Approximately seven out of every ten people who live in an ALF must depend on their personal wealth or that of their family to pay for their services. Therefore, private pay is the largest revenue sources for assisted living.

Facilities typically feature several room types and sizes and charge varying rates for each unit type. Further, the rates depend on the amount of competition. According to the DADS website, there are numerous assisted living facilities located within Harris County.

The facilities considered the most comparable are denoted on the following map.



The above seven comparables are located within the closest proximity to the subject. Heritage House and Caring Hands Residential Care Home are smaller facilities that have 12 and 5 beds respectively. The facilities are operated out of a single-family residential home. The facilities have been excluded from the analysis due to size.

Please note, several attempts were made to contact Emeritus at Clear Lake. The appraisers made an on-site visit and left several messages with management. No rental information could be obtained.

Therefore, Colonial Oaks, Oak Shadows, Parsons House, Brookdale Place Pearland and Brookdale Place Friendswood were included in our analysis. A summary of the comparables follows.

ASSISTED LIVING RENT COMPARABLE 1

Property Name	Colonial Oaks Assisted Living and Memory Care
Address	4004 Vista Road Pasadena, Texas 77504
Phone	(713) 941-4663
Tax ID/APN	117-857-000-0000

Property Description

Land Area	2.66 Acres
Total Number of Beds	120
Total License Capacity	120
Year of Construction	1994
Condition	Good

Floor Plans

Unit A - Studio	300 Square Feet (Private Only)
Unit B – Studio Deluxe	430 Square Feet (Semi & Private)
Occupancy	Not Disclosed, Stabilized
Community Fee	First Months Rent

Rental Data

Unit Type	Private	Semi-Private
Studio	$3,600	$3,200
Studio Deluxe	$4,200	$1,970
Memory Care	N/A	N/A

Amenities

- 24-Hour Staff
- On-site Maintenance
- Apartment Units with kitchen
- Nutritional Services
- Housekeeping Services
- Laundry Services
- Covered resident parking
- Resident call system in every apartment
- Beautician/Barber
- Manicurist/Pedicurist
- Security fencing
- Full activity program
- Weekly grocery and department store shopping
- Scheduled transportation
- Bathing
- Dressing
- Medication assistance
- Incontinence Assistance

Comments

Colonial Oaks is located Vista Dirve, approximately 1.65 miles west of the East Sam Houston Tollway. The facility features assisted and memory care units. The facility offers two unit types, a studio unit totaling 300 square feet and a studio deluxe unit totaling 430 square feet.

The above quoted rates are from a survey conducted by the management of the subject, Pine Tree Assisted Living. The appraisers attempted to contact management of Colonial Oaks on several occasions. None of our calls were returned. Our discussions with management of competitive facilities indicated Colonial Oaks was full and there is a waiting list.

ASSISTED LIVING RENT COMPARABLE 2

Property Name	Oak Shadows Retirement and Assisted Living Community
Address	4801 Allendale Road Houston, Texas 77017
Phone	(713) 941-7700
Tax ID/APN	114-200-001-0001

Property Description

Land Area	4.86 Acres
Total Number of Beds	100
Total License Capacity	100
Year of Construction	1976
Condition	Average

Floor Plans

Unit A - One Bedroom	490 Square Feet
Unit B – One Bedroom	520 Square Feet
Unit C – Two Bedroom	750 Square Feet
Unit D – Two Bedroom	850 Square Feet
Occupancy	100%
Community Fee	$400

Rental Data

Unit Type	Upstairs	Downstairs
Unit A	$1,820	$1,920
Unit B	$1,870	$1,970
Unit C	$2,120	$2,220
Unit D	$2,260	$2,360
Share Two-Bedroom	$1,275	$1,375

Amenities

- 24-Hour Staff
- On-site Maintenance
- Apartment Units with kitchen
- Nutritional Services
- Housekeeping Services
- Laundry Services
- Covered resident parking
- Resident call system in every apartment
- Beautician/Barber
- Manicurist/Pedicurist
- Security fencing
- Full activity program
- Weekly grocery and department store shopping
- Scheduled transportation
- Bathing
- Dressing
- Medication assistance
- Incontinence Assistance

Comments

Oak Shadows is a large, garden-style apartment community that offers independent and assisted living. This facility is located along Allendale, just east of Galveston Road, Highway 3. The above quoted rates are for the assisted living apartments only.

It was noted the rates increase for additional levels of care. Additional levels of care include dressing assistance, transportation services, and additional housekeeping and laundry services. The additional levels of care range from $150.00 to $400.00 per month.

ASSISTED LIVING RENT COMPARABLE 3

Property Name	Parsons House
Address	8727 West Fairmont Parkway La Porte, Texas 77571
Phone	(281) 478-0000
Tax ID/APN	118-981-000-0001

Property Description

Land Area	5.64 Acres
Total Number of Beds	65
Total License Capacity	65
Year of Construction	1997
Condition	Average to Good

Floor Plans

Small	Not Available
Medium	Not Available
Large	Not Available
Deluxe	Not Available

Occupancy	97%
Community Fee	$1,250
Second Person	$750
Pet Deposit	$500

Rental Data

Unit Type	
Small	$2,425
Medium	$2,525
Large	$2,625
Deluxe	$2,725

For Assisted Living Services Add:

Level I	$400
Level II	$600
Level III	$900
Level IV	$1,100
Level V	$1,300

Amenities

- 24-Hour Staff
- On-site Maintenance
- Guest Suite Available
- Apartment Units with private bed/baths
- Nutritional Services
- Housekeeping Services
- Laundry Services
- Covered resident parking
- Resident call system in every apartment
- Beautician/Barber
- Manicurist/Pedicurist
- Security fencing
- Full activity program
- Weekly grocery and department store shopping
- Scheduled transportation
- Bathing
- Dressing
- Medication assistance
- Incontinence Assistance

Comments

Parsons House is located along the north Line of Fairmont Parkway. This facility is located within the city of La Porte. The community fee includes a $750 deposit and an upfront fee of $500 that goes toward the first months rent.

ASSISTED LIVING RENT COMPARABLE 4

Property Name	Brookdale Place Pearland
Address	2121 Scarsdale Boulevard Pearland, Texas 77581
Phone	(281) 464-8740
Tax ID/APN	119-165-001-0001

Property Description

Land Area	4.60 Acres
Total Number of Beds	84
Total License Capacity	84
Year of Construction	1997
Condition	Average to Good

Floor Plans

Assisted Living

Studio	309 Square Feet
Studio	370 to 405 Square Feet
Deluxe Studio	440 to 515 Square Feet
One Bedroom	705 to 840 Square Feet
Two Bedroom	1,160 to 1,250 Square Feet

Alzheimer and Dementia Care

Studio	315 to 335 Square Feet
Semi-Private	560 to 575 Square Feet
Shared Private	360 to 415 Square Feet

Occupancy – Assisted Living	97%
Occupancy – Memory Care	100%
Community Fee	N/A

Rental Data

Unit Type	Price per Month
Assisted Living	$3,295 to $5,260
Memory Care	$3,300 to $5,930

Amenities

- 24-Hour Staff
- On-site Maintenance
- Apartment Units with kitchen
- Nutritional Services
- Respite Care
- Hospice Care
- Housekeeping Services
- Laundry Services
- Covered resident parking
- Resident call system in every apartment
- Beautician/Barber
- Manicurist/Pedicurist
- Security fencing
- Full activity program
- Weekly grocery and department store shopping
- Scheduled transportation
- Bathing
- Dressing
- Medication assistance
- Incontinence Assistance

Comments

Brookdale Place is an assisted living and dementia care facility located within Pearland. More specifically, the property is located along Scarsdale Boulevard, just south of Blackhawk Boulevard. All of the assisted living units feature a private bed and bath. The memory care units feature one bath.

On-site management indicated that demand is primarily for the memory care units as seniors are staying at home longer.

ASSISTED LIVING RENT COMPARABLE 5

Property Name	Brookdale Place Friendswood
Address	1310 Friendswood Drive South Friendswood, Texas 77546
Phone	(281) 648-5454
Tax ID/APN	R389617

Property Description

Land Area	6.10 Acres
Total Number of Beds	120
Total License Capacity	120
Year of Construction	1998
Condition	Average to Good

Floor Plans

Assisted Living	
Studio	275 Square Feet
Studio	285 Square Feet
Deluxe Studio	335 Square Feet
One Bedroom	575 Square Feet
Alzheimer and Dementia Care	
Semi-Private	Not Available
Occupancy	100%
Community Fee	N/A

Rental Data

Unit Type	Price per Month
Assisted Living	$3,500 to $5,000*
Memory Care	$4,225 to $4,825

*Additional levels of care are separate.

Amenities

- 24-Hour Staff
- On-site Maintenance
- Apartment Units with kitchen
- Nutritional Services
- Respite Care
- Hospice Care
- Housekeeping Services
- Laundry Services
- Covered resident parking
- Resident call system in every apartment
- Beautician/Barber
- Manicurist/Pedicurist
- Security fencing
- Full activity program
- Weekly grocery and department store shopping
- Scheduled transportation
- Bathing
- Dressing
- Medication assistance
- Incontinence Assistance

Comments

Emeritus at Friendswood features assisted living and dementia care units. The facility is located along Friendswood Drive South, just north of Parkwood Avenue. All of the assisted living units feature a private bed and bath. The memory care units feature one bath.

Market Rent Conclusion

The subject and the rent comparables are priced on a monthly basis. The following chart summarizes the monthly rental premiums of the comparable product.

Comparable Rent Summary

Comp	Facility Name	YOC	Occupancy	Monthly Rental Rates: Semi-Private	Private	Alzheimer's and Dementia Care
1	Colonial Oaks	1994	N/A	$3,200	$3,600 to $4,200	Not Confirmed
2	Oaks Shadows	1976	100.0%	$1,275 to $1,375	$1,820 to $2,360	Not Offered
3	Parsons House	1997	97.0%	N/A	$2,425 to $2,725	$3,325 to $4,025
4	Brookdale Place Pearland	1997	98.0%	N/A	$3,295 to $5,260	$3,300 to $5,930
5	Brookdale Place Friendswood	1998	100.0%	N/A	$3,500 to $5,000	$4,225 to $4,825
	Subject		71.91%	$1,700	$3,000	$3,500

Colonial Oaks Assisted Living and Memory Care is also located within Pearland, approximately 1.8 miles southwest of the subject. The facility was constructed in 1994 and is superior is appeal and condition. The facility features assisted and memory care units. The facility offers two unit types, a studio unit totaling 300 square feet and a studio deluxe unit totaling 430 square feet. The studio deluxe unit can be leased as semi-private or private. The quoted semi-prate rate was $3,200. The private rate for the studio deluxe unit was $4,200. The private studio unit leases for $3,600. Overall, the comparable is superior to the subject and indicated the upper end of the range.

Comparable 2, Oaks Shadows Retirement and Assisted Living Community, is located within a five mile radius of the subject and is within a similar market area. More importantly, the comparable was constructed in 1976 and is similar in age and condition. Further, the comparable is also a two-story garden-style community and is similar in design. Rent 1 is considered the best comparable and has been given the most weight in the analysis. Note, Rent 1's rental rates increase for additional levels of care. Additional levels of care include dressing assistance, transportation services, and additional housekeeping and laundry services. The additional levels of care range from $150.00 to $400.00 per month. The subject rental rates included all levels of care. Adding the fee for additional services indicates a range of $1,675 to $1,775 for semi-private rooms and $2,220 to $2,760 for private rooms.

Parsons House is located within the neighboring community of La Porte. The comparable was constructed in 1997 and is superior in condition to the subject. Further, newer product tends to offer the newest amenities and services. It should also be noted the above rental rates only include basic services. Additional care services are considered an add on and range from $400 to $1,300 per month. The subject's rental rate is inclusive of all services. The comparables rental rates have been weighted accordingly.

Brookdale Place Pearland feature both assisted living and memory care units. The assisted living units feature private beds and baths with a living area and kitchenette. The one bedroom and two bedroom units feature a full kitchen. The memory care units consists of a living area and private bath. The units are shared. The community is newer and construction and is superior in condition. The comparable's quoted rental rate indicates the upper end of the range.

Emeritus at Friendswood is an independent, assisted and Alzheimer's living community. The comparables also offers short-stay respite care. The quoted rental rate is inclusive of services. The comparable features studios and one bedroom units with kitchenettes. Comparably, the comparable is superior in condition and appeal to the subject.

The subject's quoted rent falls within the range of the comparables. It is the opinion of the appraiser that a current quoted rent is market oriented and has been used in the analysis. A rental income schedule follows.

Potential Gross Rental Income

	Number of Units	Number of Beds	Monthly Rent per Bed	Total Annual Rent
The Lodge				
Studio	2	2	$3,000	$72,000
One Bedroom	2	2	$3,000	$72,000
Two Bedroom Suite	68	136	$1,700	$2,774,400
Three Bedroom	2	6	$1,700	$122,400
Total		146		$3,040,800
The Cottage	16	32	$3,500	1,344,000
Total Potential Gross Income				**4,384,800**

The concluded potential gross income for the subject is $4,384,800 annually.

Vacancy and Credit Loss

The rent comparables had a range of occupancy from 97% to 100% with an average of 98.8%. The *Marcus and Millichap Second Half 2014 Senior Housing Research Report* noted a national average of 91.3%.

As of the date of inspection, the subject had a census of 128, which is indicates a physical occupancy of 71.91%. Our market research and conversations with market participants revealed that there is adequate demand for units within the market. Jamie Molen, Administrator of the subject facility indicated there is moderate demand for the facility with a majority of the demand for private units. The majority of the rent comparables feature private suites only. Colonial Oaks has a limited number of semi-private suites; however, these suites can also be leased privately. There appears to be limited demand for the subject's two and three-bedroom units, which has affected the facilities occupancy.

Considering the subject's unit mix, a 15% vacancy and collection loss has been utilized in our analysis.

Expense Analysis

In order to estimate the subject property's expenses, we have considered the following sources.

- Expense comparables from similar properties throughout Texas
- The subject's historical operating history for year-end 2011, 2012, 2013 and 2014.

Subject Expense History

Subject Historical Operations

	2011		2012		2013		2013	
	Actuals	$Per Bed	Actuals	$Per Bed	Actuals	$Per Bed	Actuals	$Per Bed
Revenue:								
Rental Revenue	$3,689,603	$20,728	$3,228,019	$18,135	$2,685,150	$15,085	$2,811,676	$15,796
Other Income	$0	$0	$1,162	$7	$676	$3.80	$1,166	$7
Total Income	$3,689,603	$20,728	$3,229,181	$18,141	$2,685,826	$15,089	$2,812,842	$15,802
Expenses:								
General/Administrative	$133,930	$752	$92,587	$520	$42,308	$238	$50,170	$282
Payroll and Taxes	$1,220,993	$6,860	$1,199,344	$6,738	$850,129	$4,776	$846,732	$4,757
Maintenance and Repair	$77,134	$433	$59,717	$335	$37,257	$209	$80,029	$450
Utilities	$160,859	$904	$138,963	$781	$132,433	$744	$153,207	$861
Supplies and Services	$394,843	$2,218	$345,112	$1,939	$279,709	$1,571	$289,406	$1,626
Miscellaneous	$19,163	$108	$12,364	$69	$20,122	$113	$19,250	$108
Insurance	$49,367	$277	$32,781	$184	$976	$5	$25,518	$143
Property Taxes	$120,242	$676	$94,138	$529	$97,096	$545	$92,938	$522
Management Fee	$120,000	$674	$152,244	$855	$162,244	$911	$0	$0
Reserves	$0	$0	$0	$0	$0	$0	$0	$0
Total Expenses	$2,296,531	$12,902	$2,127,250	$11,951	$1,622,273	$9,114	$1,557,249	$8,749
Net Operating Income	$1,393,071	$7,826	$1,101,931	$6,191	$1,063,553	$5,975	$1,255,592	$7,054

Expense Comparables

Expense comparables have been compared to the subject property historical expenses. The following is a summary of the expense comparable information:

Expense Comparable Table

	1	2	3	4	Expense Comp Averages
Year Built	2003/2007	1987	2000	2000	
Licensed Beds	11	37	94	80	56
Expenses:	$PerBed	$PerBed	$PerBed	$PerBed	$PerBed
General/Administrative	$2,936	$504	$855	$3,911	$2,052
Payroll and Taxes	$12,568	$7,272	$1,331	$16,454	$9,406
Maintenance and Repair	$1,562	$864	$2,194	$342	$1,241
Utilities	$425	$1,110	$427	$1,789	$938
Supplies and Services	$2,747	$2,613	$416	$1,532	$1,827
Miscellaneous	$0	$87	$0	$0	$22
Insurance	$349	$324	$238	$1,052	$491
Property Taxes	$591	$973	$757	$1,701	$1,006
Management Fee	$0	$486	$433	$1,630	$637
Reserves	$0	$0	$0	$0	$0
Total Expenses	$21,178	$14,233	$6,651	$28,411	$17,618

Subject Expense Estimates

The historical operating history of the subject and several expense comparables were utilized to estimate the stabilized expenses of the subject. The forecasted expenses are defined below.

Appraiser's Stabilized Expense Estimates	
Operating Expenses	
General/Administrative	$2,000 Per Bed
Payroll and Taxes	$6,500 Per Bed
Maintenance and Repair	$800 Per Bed
Utilities	$900 Per Bed
Supplies and Services	$1,900 Per Bed
Miscellaneous	$110 Per Bed
Insurance	$200 Per Bed
Property Taxes	$962 Per Bed
Management Fee	5% of EGI
Reserves	$250 Per Bed
Total Expenses	**$14,669 Per Bed**

In estimating the stabilized expense estimated of the property, the subject historicals have been given the most weight save for the following instances.

The subject's general and administrative expense has ranged from $238 per bed to $552 per bed annually over the previous three years. The expense comparables indicated a range from $504 per bed to $3,911 per bed with an average of $2,052 per bed. An expense above the range of the subject historical expenses has been projected. A stabilized expense estimate of $2,000 per bed annually has been used in our analysis.

In addition, the subject historical repair and maintenance expense falls below the range of the expense comparables. A stabilized estimate above the subject historicals has been estimated.

The remaining subject expense estimates fall within the range of the expense comparables.

Management Fee

This fee reflects negotiated costs associated with outside management. The management of a senior housing facility is somewhat involved. Typical fees throughout the regional market range from 4% to 8% of revenue.

To estimate the subject expense, we have reviewed the market expense comparables and spoke with several market participants. Rodrigo Llanos with Marcus and Millichap stated management fees are typically 5.0% of total revenue.

A 5.0% management fee has been utilized within our analysis.

Reserve Allowance

This is a theoretical expense category whereby an allowance for replacement of short-lived items is estimated. This includes items such as carpet, appliance packages, and roofs, however in this case it also includes all related equipment.

Generally, properties do not use this expense category due to the fact that the income tax laws provide greater savings for an expensed item rather than a depreciable capital replacement. The replacement of these items is accomplished through yearly maintenance or during a renovation program. However, it is considered more equitable to estimate the expenses on a yearly basis rather than seeing a large expenditure in any one year for a major replacement program.

This estimate is derived by calculating the cost of each reserve item, estimating the economic life, and using a safe rate of 6.5%. An allowance for current replacement expense of $250 per room is applicable.

Total Expense Estimate Comparison

The following table provides a direct comparison of the estimated total subject expense to the subject's historical operating expenses and the expense comparables, with the exception of replacement reserves, as this expense item is often not reported.

Total Operating Expenses	$PPD
Comparable 1	$21,178
Comparable 2	$14,233
Comparable 3	$6,651
Comparable 4	$28,411
Subject Actual 2011	$12,902
Subject Actual 2012	$11,951
Subject Actual 2013	$9,114
Subject Actual 2014	$8,749
Indicator Average	*$14,149*
Stabilized Estimate	***$14,419***

The estimated expenses are within the range of the indicators. The stabilized expense estimate is above the subject historical expenses.

Stabilized Net Operating Income (NOI)

Net operating income consists of the income that remains after all operating expenses are deducted from effective gross income, but before mortgage debt service and other non-periodic leasing and capital expenditures. The stabilized net operating income calculation is presented in the following table:

Stabilized Income Schedule

Category	Per Bed				Total
Potential Gross Income					**$4,384,800**
Vacancy and Collection Loss	15.00%				($657,720)
Effective Gross Revenue					$3,727,080
Expenses					
General/Administrative	$2,000	$Per Bed	=	$356,000	
Payroll and Taxes	$6,500	$Per Bed	=	$1,157,000	
Maintenance and Repair	$800	$Per Bed	=	$142,400	
Utilities	$900	$Per Bed	=	$160,200	
Supplies and Services	$1,900	$Per Bed	=	$338,200	
Miscellaneous	$110	$Per Bed	=	$19,580	
Insurance	$200	$Per Bed	=	$35,600	
Property Taxes	$962	$Per Bed	=	$171,230	
Management Fee	5.0%	EGI	=	$186,354	
Reserves	$250	$Per Bed	=	$44,500	
Total Expenses	($14,669)	$Per Bed			($2,611,064)
Estimated Stabilized Net Operating	$6,270	$Per Bed			$1,116,016

Direct Capitalization Analysis

The income approach to value is based on the premise that a direct relationship exists between the value of a property and the amount of income it is capable of generating. Capitalization is the process of converting a stabilized income stream into an estimate of value, and is obtained by dividing net operating income of a property, exclusive of debt service, by an "overall rate".

This overall rate is the net operating income divided by value or sales price and may be developed from various sources. These various sources include deriving rates from the market, "building up", or via the band of investment technique, and reviewing various investor surveys. The following paragraphs will discuss each of these methods.

Market

Capitalization rates were derived through market transactions. Note, the sale prices of the comparables included FF&E and business value in addition to the real estate.

Market Overall Capitalization Rate (OAR) Comparables

OAR Comp. No.	Date of Sale	Property Name	Location		Year Built	Occupancy at Time of Sale	Stabilized Occupancy	Stabilized OAR
1	January-15	The Legends at Hillsboro	110 Outlet Drive	Hillsboro, Texas	1999	93.0%	93.0%	9.03%
2	December-14	Souther Knights Assisted Living Center	27919 Johnson Road	Tomball, Texas	1999	100.0%	100.0%	4.24%
3	January-13	The Meadows	408 Della Russell Road	Lufkin, Texas	1995	0.0%	85.0%	9.90%
4	May-12	El Camino House	1997 Davidson Drive	San Augustine, Texas	1997	85.0%	85.0%	7.15%
5	March-12	Courtyard at Lake Granbury	801 Calinco Drive	Granbury, Texas	2005	90.0%	90.0%	9.50%

The capitalization rates of the sales range from 4.24% to 9.90% with an average of 7.96% and a median of 9.03%. Improved Sale 2 was operating just better than a break-even and the comparable had some value add potential thus the capitalization rate indicates the lower end of the range. The improved sale comparables were constructed from 1999 to 2005 and are superior in age and condition. A capitalization above the range is applicable.

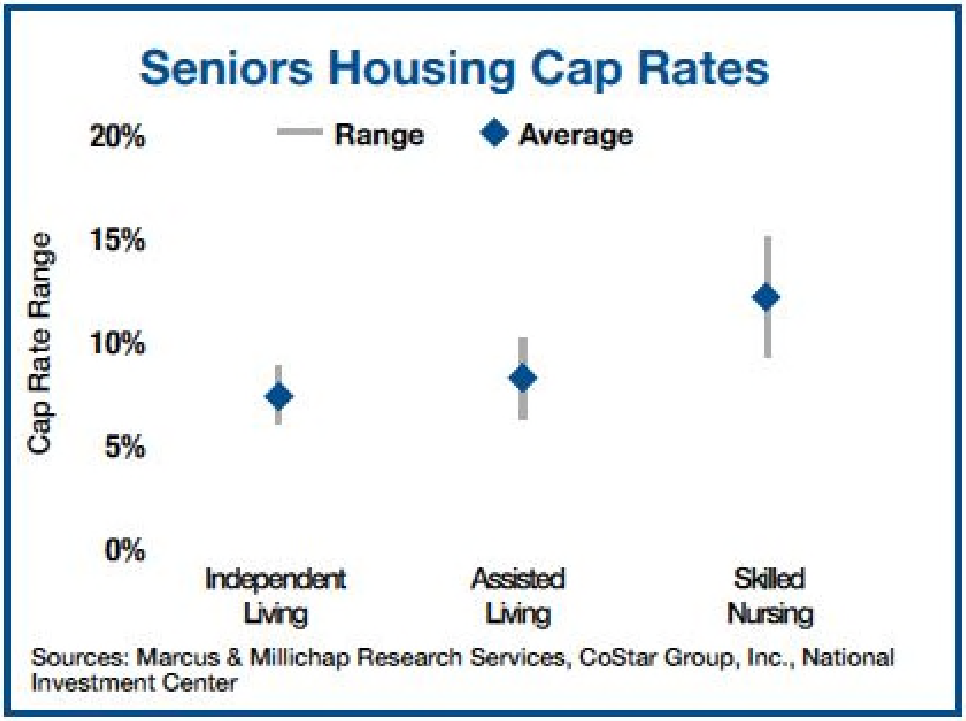
After considering the differences in the sales, they tend to support a going-in capitalization rate above 10.0%, given the age, location and quality of the subject property, as well as current market conditions.

Investor Surveys

Investor Surveys			
		Range	Average
Marcus and Millichap	Second Half 2014	6.0% - 10.0%	8.0%
	First Half 2014	7.0% - 11.0%	8.5%
Realty Rates*	Year End 2014		8.17%
	1st Quarter 2014		8.96%
	Year End 2013		8.90%
	Year End 2012		8.85%

The most recent Marcus and Millichap Senior Housing Research Report indicated that capitalization rates for assisted living facilities ranged from 6.0% to 10.0% over the previous twelve months. Realty Rates Investor Survey indicated an overall average of 8.17%.

The following chart was taken from the *Send Half 2014 Marcus and Millichap Senior Housing Report*.



The investor surveys are indicative of properties of the highest qualities and in the best locations. Given the quality of the subject property, we consider an overall capitalization rate in the middle to upper end of the presented ranges for the surveys to be appropriate, or 9.50% to 10.50%.

Band of Investment Technique

The following summarizes the indication from the band of investment technique:

Band of Investment Technique				
Mortgage Interest Rate	=	5.50%		
Mortgage Term	=	25 years		
Mortgage Ratio (M)	=	70.0%		
Mortgage Constant (R_M)	=	0.07369		
Equity Dividend Rate (R_E)	=	18.00%		
Mortgage (LTV) Ratio (M)		Mortgage Constant (R_M)		Mortgage Component
70.0%	x	0.07369	=	0.05158
1 - Mortgage Ratio (1-M)		Equity Dividend Rate (R_E)		Equity Component
30.0%	x	18.00%	=	0.05400
Mortgage Component		Equity Component		Overall Rate (R_O)
0.05158	+	0.05400	=	0.10558
			Rounded	***10.56%***

Broker Interviews

Rod Llanos, National Seniors Housing and Healthcare Group at Marcus and Millichap indicated current capitalization rates range from 9.0% to 11.0%. Smaller facilities in secondary markets will typically have higher capitalization rates.

Other industry professionals noted capitalization rates from 8.50% to 10.0%.

Going-in Capitalization Rate Conclusion

The overall rates derived by the three sources/techniques are summarized below.

Market	Above 10.0%%
Investor Surveys	9.50%-10.50%
Band of Investment	10.56%
Broker Interviews	10.00% - 10.50%

Considering the foregoing, a combined overall rate of 10.50% is indicated considering the location, overall quality of the subject property and risk attributable to the reaching a stabilized occupancy level.

Direct Capitalization Conclusions

Capitalizing the net operating income by the overall rate of 10.50% indicates a preliminary *market value of the total assets of the business* of $10,628,724.

The preliminary market value indication is based on the subject property operating at stabilized occupancy. However, the subject property is currently operating at a below-stabilized occupancy level of 71.91%, requiring a lease-up adjustment. A lease-up discount of $460,000 was previously estimated in the sales comparison approach.

Deducting the lease-up discount indicates an as is *market value of the total assets of the business* of **$10,170,000** (rounded), as of February 6, 2015, based on the direct capitalization technique.

The direct capitalization calculation is presented as follows:

Direct Capitalization Technique Value Indications		
Stabilized Net Operating Income (NOI)		$1,116,016
Divided by Overall Capitalization Rate	÷	10.5%
Preliminary As Stabilized Fee Simple Value Indication		**$10,628,724**
Less Lease-Up Discount:		$460,000
As Is Fee Simple Market Value Indication		**$10,170,000**

MARKET VALUE OF THE TOTAL ASSETS OF THE BUSINESS ALLOCATION

Personal Property (Furniture, Fixtures and Equipment)

The subject property includes all furniture, fixtures and equipment (FF&E) necessary for continued operation as an assisted living facility. A schedule of these items was not provided by the owner. A tour of the subject property indicated the FF&E is predominantly in average condition.

Marshall and Swift Valuation Service indicates an FF&E estimate of $10,800 to $21,200 per room for a Class C, convalescent hospital. The subject is an assisted living facility and a cost near the lower end of the range is appropriate. . Based on our conversations with brokers and owners/operators of similar facilities, an FF&E estimate near the lower end of the range, or $12,000 is reasonable.

Utilizing a cost of $12,000 per bed indicates a cost new of $2,136,000 for the subject property FF&E. The furniture, fixtures and equipment have an estimated life of ten years. Considering the FF&E currently has an effective age of 6 years, a contributory value of $854,400 is indicated.

It should be noted we are not experts in the appraisal of personal property, we utilized industry standard technique to estimate the market value of the Furniture, Fixtures and Equipment.

Intangible Property Value

Business Enterprise Value (BEV) is a term applied to the "concept of the value contribution of the total intangible assets of a continuing business enterprise such as marketing and management skill, an assembled work force, working capital, trade names, franchises, patents, trademarks, contracts, leases and operating agreements"[2].

In this case, intangible assets of an assisted living facility typically include:

- Licenses, certifications, and approvals (such as certificates of need) from government agencies and regulators
- Assembled workforces, including licensed, certified and trained employees
- Patient records
- Goodwill
- Management
- Vendor contracts
- Trade names

There is no industry agreed-upon method for the allocation of the components of the total assets of the business. In this instance, we have developed an opinion of value of the MVTAB through the income approach with a test of reasonableness via the sales comparison approach.

The contributory value of the personal property was estimated by reviewing its actual costs, age and remaining life. This value is reported in the prior section.

[2] *The Dictionary of Real Estate Appraisal*, Fifth Edition, Appraisal Institute, 2010, P. 37

The remaining component is the intangible value. The following summarizes our estimate of real property.

Real Property

The real property of the subject is estimated through a broad application of the cost approach. The following is estimated for the subject cost.

Direct Costs

The Marshall Valuation Service was used for determining costs. The calculator and segregated methods were considered in determining the replacement cost of the subject property. The Marshall Valuation cost figures indicate total direct building construction costs of an average to good Class D, Elderly Assisted Living Facility, at $91.30 per square foot of gross building area. The Marshall & Swift estimate has been refined with appropriate local and current cost estimates.

Site improvement costs of $95,000, which are inclusive of a surface parking lot and landscaping and irrigation, have been added to the total building costs. This equates to total direct costs of $7,452,526.

Indirect Costs

Comparable properties suggest indirect costs of 10 to 20 percent of direct costs, most of which is included in the Marshall Valuation figures above. We have estimated an additional expense of 2 percent of direct costs for items not included.

For this analysis, entrepreneurial incentive is estimated at 10 percent of the total cost of the property, which is appropriate for this type of development.

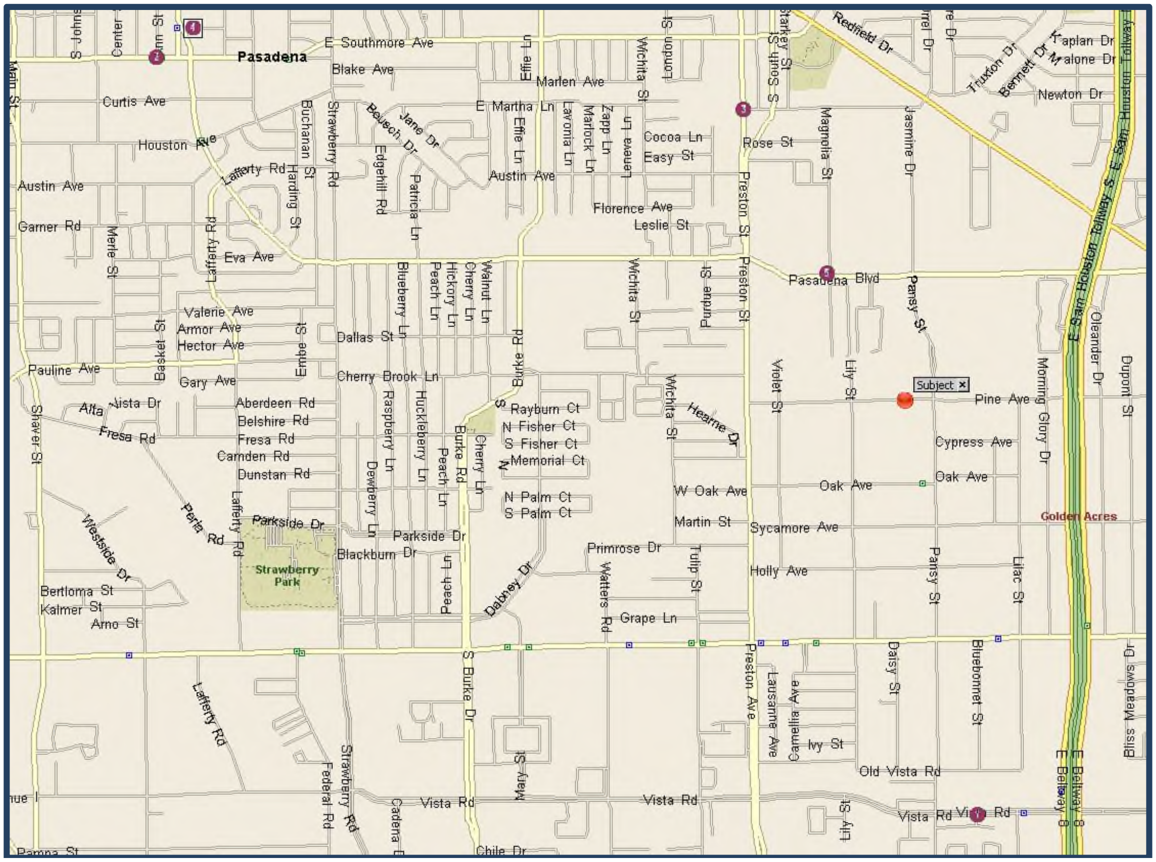
Depreciation

An estimated an overall effective age of 40 years with a remaining economic life of 40 years was previously estimated within a previous section of this report. Utilizing the age/life method, deprecation of 33.3% was calculated.

Market Value of Land

To estimate the land value the appraiser reviewed several transactions within the Pasadena market. The subject is located within an older area of Pasadena that has been developed out for quite some time. As such, there are a limited number a vacant land transactions within the subject neighborhood.

A map and summary of the land transactions utilized to estimate the market value of the site as vacant follows.



Land Sales Summary

Sale No.	Date of Sale	Acres	Location	Actual Price Per Sq. Ft.
1	4/30/2014	1.002 Acs.	S/L of Vista Road, between Gail Lane and Quitman Drive	$5.50
2	6/29/2013	5.390 Acs.	S/L of Southmore Avenue, approximately 325 feet east of Pasadena Blvd	$6.93
3	9/20/2012	4.329 Acs.	W/L of Preston Avenue where San Augustine Street intersects from the east	$1.62
4	11/8/2011	2.558 Acs.	N/L of Lee Street, approximately 340 feet east of Pasadena Boulevard	$6.14
5	8/15/2011	4.350 Acs.	NWC of Pasadena Boulevard and Magnolia Avenue	$1.45
			Minimum	$1.45
			Maximum	$6.93
			Mean	$3.52
			Median	$1.62

The land sales indicate a range from $1.45 per square foot to $6.93 per square foot with an average of $4.33 per square foot and a median of $5.50 per square foot.

Land Sale 1 is a 1.002 acre tract that is located along Vista Boulevard. A downward adjustment is warranted for size as sale prices on a smaller tract of land are typically higher due to economies of scale. Moreover, Vista Boulevard is a more heavily traveled retail corridor that runs east/west from Allen-Genoa Road to Beltway 8. The comparable supports a market value below its sale price of $5.50 per square foot.

Land Sale 2 is located along Southmore Avenue, which is a primary commercial corridor within the Pasadena area. Land Sale 4 is located just north. The comparable is located just off of Pasadena Boulevard, which is also a heavily traveled commercial corridor. Further, the comparables are located in an area that has experienced some recent redevelopment. A market value below the comparables is supported.

Sale 3 is located with an older industrial area. Surrounding development consists of older industrial properties that are nearing the end of their economic lives. The subject is superior in location to the comparable. An market value above the comparable's sale price of $1.42 per square foot is supported.

Sale 5 is also located within an industrial area. However, surrounding uses consists of older multi-family, retail and industrial facilities that are 30 to 40 years old. The buyer constructed metallic warehouses on the site. An upward location adjustment is warranted. The comparable supports a market value above $1.50 per square foot.

Considering the foregoing, the appraisers have estimated a market value near the middle of the comparable range, or $3.50 per square foot. This indicates a market value of the land of $526,369.

Real Estate Only Value Conclusions

Adding the land value to the total replacement cost new indicates an *as is* market value of the real estate only of $6,135,950.

A schedule summarizing the real property value follows.

MVTAB

Estimate of Real Property Value

Direct Costs:

Building	Marshall & Swift Section	Size	Base Cost		Sprinklers		
Assisted Living Facility	S12, P20, 08/12 - Average/Good, Class D	77,697 SF	$101.30	+	$2.00	=	$8,026,100
Unadjusted Base Building Costs	*Marshall and Swift*	$103.30 PSF			Subtotal	=	**$8,026,100**
Refinement Multipliers							
Current Cost Multiplier							1.03(x)
Local Cost Multiplier							0.89(x)
Total Adjusted Building Costs	*Marshall and Swift*	$94.70 PSF			Subtotal	=	**$7,357,526**

Site Improvements	Quantity		Cost/Unit		
Surface Parking Lot	50 spaces	@	$1,600 per space	=	$80,000
Landscaping & Irrigation	1	@	$15,000	=	$15,000
Total Site Improvements					$95,000
Total Direct Costs:	*Marshall and Swift*	$95.92 PSF		(Includes Soft Costs)	**$7,452,526**

Indirect Costs:

Professional Fees (soft costs not included above)	@ 2.00%	$149,051	
Entrepreneurial Profit*	@ 10.00%	$812,795	
Total Indirect Costs		$961,845	

*Includes profit to direct costs, soft costs and land

Total Cost Before Land	*Marshall and Swift*	$108.30 PSF	**$8,414,371**
Estimated Land Value			$526,369
Total Replacement Cost New	*Marshall and Swift*	$115.07 PSF	**$8,940,740**

Accrued Depreciation:

Physical Deterioration				
Curable, (deferred maintenance)	0.0%	$0		
Incurable, (total improvements)	33.3%	($2,804,790)		
Total Physical Deterioration			($2,804,790)	
External Obsolescence		$0		
Functional Obsolescence		$0		
Total Obsolescence			$0	
Total Accrued Depreciation				**($2,804,790)**
Preliminary Fee Simple Value Indication				$6,135,950
Less: Deferred Maintenance				$0
As Is Fee Simple Indication				$6,135,950
			Rounded	**$6,140,000**

This method indicates an intangible value through the following calculation.

MVTAB

Estimate of Intangible Value		
MVTAB	$10,170,000	
Less FF&E	($854,400)	
Less Real Property	($6,140,000)	
Indicated Intangible Value	$3,175,600	
	31.23%	of MVTAB

Conclusion of Intangible Value

Based on the allocation of the components of the MVTAB, the following value conclusion is indicated.

MVTAB Conclusions

Value Component	*Value*	*% Of MVTAB*
Market Value of Total Assets of Business	$10,170,000	
Real Property	$6,140,000	60.4%
Personal Property (FF&E)	$854,400	8.4%
Intangibles	$3,175,600	31.2%

Reconciliation

Summary of Value Indications

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

Value Indications

Approach to Value	Real Property	MVTAB
Cost	$6,140,000	
Sales Comparison		$10,220,000
Income Capitalization		
Direct Capitalization	N/A	$10,170,000
Discounted Cash Flow	N/A	N/A

Value Conclusions

	Real Property	MVTAB
Property Rights Appraised	Fee Simple	Fee Simple
Date of Value	June 2, 2014	June 2, 2014
Value Conclusion	**$6,140,000**	**$10,170,000**
	$34,494 per bed	**$57,135 per bed**
	$79.02 PSF	**$130.89 PSF**

To reach a final opinion of value, we considered the reliability and relevance of each value indication based upon the quality of the data and applicability of the assumptions underlying each approach.

Given the availability and reliability of data within the Income Approach, we have gave this approach primary weight in arriving at our final value conclusions, with secondary consideration to the results of the Sales Comparison Approach. Furthermore, Senior Housing properties such as the subject are typically purchased by owner operators or investors who primarily rely upon the methods employed by the Income Approach.

Exposure Time and Marketing Periods

Based on statistical information about days on market, escrow length, and marketing times gathered through national investor surveys, sales verification, and interviews of market participants, marketing and exposure time estimates of 12 months are considered reasonable and appropriate for the subject property.

General Assumptions and Limiting Conditions

This appraisal is subject to the following limiting conditions:

1. The legal description – if furnished to us – is assumed to be correct.

2. No responsibility is assumed for legal matters, questions of survey or title, soil or subsoil conditions, engineering, availability or capacity of utilities, or other similar technical matters. The appraisal does not constitute a survey of the property appraised. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.

3. Unless otherwise noted, the appraisal will value the property as though free of contamination. Valbridge Property Advisors | The Gerald A. Teel Company, Inc. will conduct no hazardous materials or contamination inspection of any kind. It is recommended that the client hire an expert if the presence of hazardous materials or contamination poses any concern.

4. Unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing in the subject property.

5. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.

6. Unless expressly specified in the engagement letter, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory, or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Valbridge Property Advisors | The Gerald A. Teel Company, Inc. is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser's then current hourly rate plus reimbursement of expenses.

7. The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.

8. The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions.

9. The sketches, maps, plats and exhibits in this report are included to assist the reader in visualizing the property. The appraiser has made no survey of the property and assumed no responsibility in connection with such matters.

10. The information, estimates and opinions, which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.

11. Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.

12. No claim is intended to be expressed for matters of expertise that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.

13. This appraisal was prepared for the sole and exclusive use of the client for the function outlined herein. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | The Gerald A. Teel Company, Inc. and Client. The Client shall not include partners, affiliates, or relatives of the party addressed herein. The appraiser assumes no obligation, liability or accountability to any third party.

14. Distribution of this report is at the sole discretion of the client, but no third-parties not listed as an intended user on the face of the appraisal or the engagement letter may rely upon the contents of the appraisal. In no event shall client give a third-party a partial copy of the appraisal report. We will make no distribution of the report without the specific direction of the client.

15. This appraisal shall be used only for the function outlined herein, unless expressly authorized by Valbridge Property Advisors | The Gerald A. Teel Company, Inc.

16. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.

17. Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.

18. If the appraisal is for mortgage loan purposes 1) we assume satisfactory completion of improvements if construction is not complete, 2) no consideration has been given for rent loss during rent-up unless noted in the body of this report, and 3) occupancy at levels consistent with our "Income and Expense Projection" are anticipated.

19. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

20. Our inspection included an observation of the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. We inspected the buildings involved, and reported damage (if any) by termites, dry rot, wet rot, or other infestations as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. Condition of heating, cooling, ventilation, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated.

21. This appraisal does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value conclusion contained in this report is based unless specifically stated to the contrary.

22. When possible, we have relied upon building measurements provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or "as-built" plans provided to us, we have relied upon our own measurements of the subject improvements. We follow typical appraisal industry methods; however, we recognize that some factors may limit our ability to obtain accurate measurements including, but not limited to, property access on the day of inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple story structures, obtuse or acute wall angles, immobile obstructions, etc. Professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this appraisal assignment.

23. We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and/or reliable are used within this report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire a greater level of measuring detail, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer). We reserve the right to use an alternative source of building size and amend the analysis, narrative and concluded values (at additional cost) should this alternative measurement source reflect or reveal substantial differences with the measurements used within the report.

24. In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, we reserve the right to amend this appraisal (at additional cost) if substantial differences are discovered.

25. If only preliminary plans and specifications were available for use in the preparation of this appraisal, then this appraisal is subject to a review of the final plans and specifications when available (at additional cost) and we reserve the right to amend this appraisal if substantial differences are discovered.

26. Unless otherwise stated in this report, the value conclusion is predicated on the assumption that the property is free of contamination, environmental impairment or hazardous materials. Unless otherwise stated, the existence of hazardous material was not observed by the appraiser and the appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required for discovery. The client is urged to retain an expert in this field, if desired.

27. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey of the property to determine if it is in conformity with the various requirements of the ADA. It is possible that a compliance survey of the property, together with an analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in developing an opinion of value.

28. This appraisal applies to the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this appraisal unless specifically stated to the contrary.

29. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.

30. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute prediction of future operating results. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance.

31. Any estimate of insurable value, if included within the scope of work and presented herein, is based upon figures developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage. This analysis should not be relied upon to determine insurance coverage and we make no warranties regarding the accuracy of this estimate.

32. The data gathered in the course of this assignment (except data furnished by the Client) shall remain the property of the Appraiser. The appraiser will not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to the appraiser. Notwithstanding the foregoing, the Appraiser is authorized by the client to disclose all or any portion of the appraisal and related appraisal data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable the appraiser to comply with the Bylaws and Regulations of such Institute now or hereafter in effect.

33. You and Valbridge Property Advisors | The Gerald A. Teel Company, Inc. both agree that any dispute over matters in excess of $5,000 will be submitted for resolution by arbitration. This includes fee disputes and any claim of malpractice. The arbitrator shall be mutually selected. If Valbridge Property Advisors | The Gerald A. Teel Company, Inc. and the client cannot agree on the arbitrator, the presiding head of the Local County Mediation & Arbitration panel shall select the arbitrator. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, by agreeing to binding arbitration, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury. In the event that the client, or any other party, makes a claim against The Gerald A. Teel Company, Inc. or any of its employees in connections with or in any way relating to this assignment, the maximum damages recoverable by such claimant shall be the amount actually received by Valbridge Property Advisors | The Gerald A. Teel Company, Inc. for this assignment, and under no circumstances shall any claim for consequential damages be made.

34. Valbridge Property Advisors | The Gerald A. Teel Company, Inc. shall have no obligation, liability, or accountability to any third party. Any party who is not the "client" or intended user identified on the face of the appraisal or in the engagement letter is not entitled to rely upon the contents of the appraisal without the express written consent of Valbridge Property Advisors | The Gerald A. Teel Company, Inc. . "Client" shall not include partners, affiliates, or relatives of the party named in the engagement letter. Client shall hold Valbridge Property Advisors | The Gerald A. Teel Company, Inc. and its employees harmless in the event of any lawsuit brought by any third party, lender, partner, or part-owner in any form of ownership or any other party as a result of this assignment. The client also agrees that in case of lawsuit arising from or in any way involving these appraisal services, client will hold Valbridge Property Advisors | The Gerald A. Teel Company, Inc. harmless from and against any liability, loss, cost, or expense incurred or suffered by Valbridge Property Advisors | The Gerald A. Teel Company, Inc. in such action, regardless of its outcome.

35. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by The Gerald A. Teel Company, Inc. . Neither Valbridge Property Advisors, Inc., nor any of its affiliates has been engaged to provide this report. Valbridge Property Advisors, Inc. does not provide valuation services, and has taken no part in the preparation of this report.

36. If any claim is filed against any of Valbridge Property Advisors, Inc., a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages, and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.

37. This report and any associated work files may be subject to evaluation by Valbridge Property Advisors, Inc., or its affiliates, for quality control purposes.

38. Acceptance and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.

Certification

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

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

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

3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.

4. We have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of the appraisal within the three-year period immediately preceding acceptance of this assignment.

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

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

7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

8. Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.

9. Ashley Soape has personally inspected the subject property. Gerald Teel has not personally inspected the subject property. Chris Lantz has not personally inspected the subject property.

10. No one provided significant real property appraisal assistance to the appraisers signing this certification.

11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

13. As of the date of this report, Gerald Teel has completed the continuing education program for Designated Members of the Appraisal Institute.

14. As of the date of this report, Gerald Teel has completed the Standards and Ethics Education Requirement for Candidates/Practicing Affiliates of the Appraisal Institute.

Ashley Soape
Appraiser
Texas License #TX-1380219-G
asoape@valbridge.com

Gerald Teel, MAI, CRE, SGA
Senior Managing Director
Texas License #TX-1320749-G
gteel@valbridge.com

Chris Lantz
Senior Managing Director
Texas License #TX-1326743-G
License Expires 06-30-2015

Addenda

Glossary

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

Absolute Net Lease

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

Additional Rent

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

Amortization

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

As Is Market Value

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

Base (Shell) Building

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

Base Rent

The minimum rent stipulated in a lease. (Dictionary)

Base Year

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

Building Common Area

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

Building Rentable Area

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

Certificate of Occupancy (COO)

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

Common Area (Public) Factor

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

Common Area Maintenance (CAM)

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

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

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

Condominium

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

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

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

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

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

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

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

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

- Consummation of a sale within a exposure time specified by the client;
- The property is subjected to market conditions prevailing as of the date of valuation;
- Both the buyer and seller are acting prudently and knowledgeably;
- The seller is under compulsion to sell;
- The buyer is typically motivated;
- Both parties are acting in what they consider to be their best interests;
- An adequate marketing effort will be made during the exposure time specified by the client;
- Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

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

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

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

Effective Gross Income (EGI)
The anticipated income from all operations of the real property after an allowance is made for vacancy and collection losses and an addition is made for any other income. (Dictionary)

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

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

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

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

Excess Land
Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and

best use of the improved parcel. Excess land may have the potential to be sold separately and is valued separately. (Dictionary)

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

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

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

Fee Simple Estate
Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. (Dictionary)

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

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

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

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

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

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

Gross Retail Sellout
The sum of the appraised values of the individual units in a subdivision, as if all of the units were completed and available for retail sale, as of the date of the appraisal. The sum of the retail sales includes an allowance for lot premiums, if applicable, but excludes all allowances for carrying costs. (Dictionary)

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

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

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

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

timing of the use–that is adequately supported and results in the highest present value. (Dictionary)

Hypothetical Condition

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

Industrial Gross Lease

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

Insurable Value

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

Investment Value

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

Just Compensation

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

Leased Fee Interest

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

Leasehold Interest

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

Lessee (Tenant)

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

Lessor (Landlord)

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

Liquidation Value

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

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

Loan to Value Ratio (LTV)

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

Major Vertical Penetrations

Stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls. Atria, lightwells and similar penetrations above the finished floor are included in this definition. Not included, however, are vertical penetrations built for the private use of a tenant occupying office areas on more than one floor. Structural columns, openings for vertical electric cable or telephone distribution, and openings for plumbing lines are not considered to be major vertical penetrations. (BOMA)

Market Rent

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

Market Value

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

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

Market Value As If Complete

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

Market Value As If Stabilized

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

Marketing Time

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

Master Lease

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

Modified Gross Lease

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

Operating Expense Ratio

The ratio of total operating expenses to effective gross income (TOE/EGI); the complement of the net income ratio, i.e., OER = 1 – NIR (Dictionary)

Option

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

Partial Interest

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

Pass Through

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

Potential Gross Income (PGI)

The total income attributable to real property at full occupancy before vacancy and operating expenses are deducted. (Dictionary)

Prospective Future Value Upon Completion

Market value “upon completion” is a prospective future value estimate of a property at a point in time when all of its improvements are fully completed. It assumes all proposed construction, conversion, or rehabilitation is hypothetically complete as of a future date when such effort is projected to occur. The projected completion date and the value estimate must reflect the market value of the property in its projected condition, i.e., completely vacant or partially occupied. The cash flow must reflect lease-up costs, required tenant improvements and leasing commissions on all areas not leased and occupied.

Prospective Future Value Upon Stabilization

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

Replacement Cost

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

Reproduction Cost

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

Retrospective Value Opinion

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

Sandwich Leasehold Estate

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

Sublease

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

Subordination

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

Substantial Completion

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

Surplus Land

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

Triple Net (Net Net Net) Lease

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

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

Usable Area

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

Value-in-Use

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

Subject Photographs

Exterior – Pine Tree Lodge

Exterior – Pine Tree Lodge

Exterior – Pine Tree Lodge

Exterior – Pine Tree Lodge

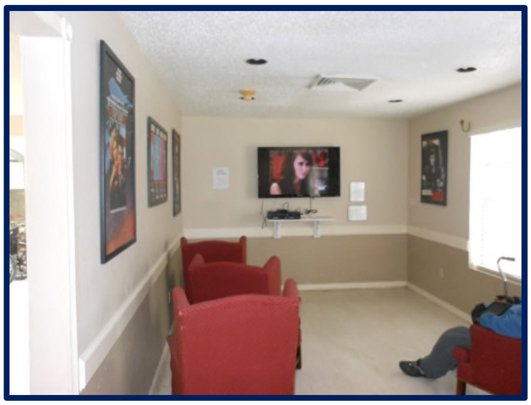
Outdoor Seating Area

Petting Zoo

Subject Photographs

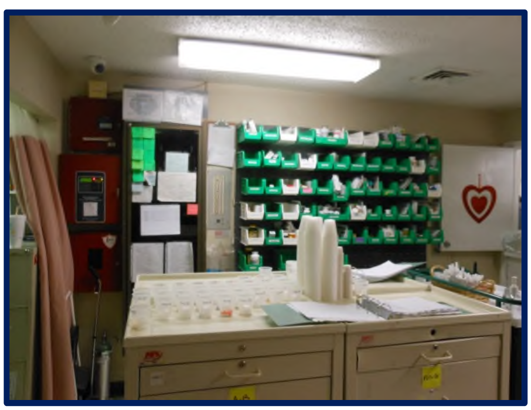
Gazeebo

Interior – Pine Tree Lodge



Interior – Pine Tree Lodge

Kitchen – Pine Tree Lodge



Medication Room – Pine Tree Lodge

Interior – Pine Tree Lodge

Subject Photographs

Interior – Pine Tree Lodge

Interior – Pine Tree Lodge

Interior – Pine Tree Lodge

Interior – Pine Tree Lodge

Exterior – The Cottage

Interior – The Cottage

Subject Photographs

Interior – The Cottage

Interior – The Cottage

Beauty Salon – The Cottage

Interior – Pine Tree Lodge

Chapel – The Cottage

Room – The Cottage

Lease-Up Discount Calculation

Lease Up Discount Schedule

LEASE UP DISCOUNT FACTS & ASSUMPTIONS		
Project Name:	Pine Tree Assisted Living	
Number of Beds:	178	
Potential Gross Monthly Income	$365,400	
Gross Income per Bed	$2,053	
Monthly Expenses (Stabilized)	($211,403)	
Monthly Exepnses per Bed	($1,188)	

Market Rents		
Lease up Period	18 Months	
Beginning Occupancy	71.9%	128 Beds
Ending Occupancy	85.0%	151 Beds
Annual Rent Appreciation	2.50%	
Annual Expense Appreciation	2.75%	
Discount Rate	10.00%	

Lease Up Discount:	$385,749	
Plus Incentive of 20%:	$77,150	
Lease-Up Discount	**$460,000**	**(Rounded)**

Period ---->	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Current Census	128	130	131	132	134	135	136	138	140	141	143	145	146	147	148	149	150	151
Net Gain	2	1	1	2	1	1	2	2	1	2	2	1	1	1	1	1	1	
Gross Monthly Income	$365,400	$365,400	$365,400	$365,400	$365,400	$365,400	$365,400	$365,400	$365,400	$365,400	$365,400	$365,400	$374,535	$374,535	$374,535	$374,535	$374,535	$374,535
Ancillary Income	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Gross Monthly Income	$365,400	$365,400	$365,400	$365,400	$365,400	$365,400	$365,400	$365,400	$365,400	$365,400	$365,400	$365,400	$374,535	$374,535	$374,535	$374,535	$374,535	$374,535
Less Stabilized Vacancy	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
	$54,810	$54,810	$54,810	$54,810	$54,810	$54,810	$54,810	$54,810	$54,810	$54,810	$54,810	$54,810	$56,180	$56,180	$56,180	$56,180	$56,180	$56,180
Effective Gross Income	$310,590	$310,590	$310,590	$310,590	$310,590	$310,590	$310,590	$310,590	$310,590	$310,590	$310,590	$310,590	$318,355	$318,355	$318,355	$318,355	$318,355	$318,355
Total Expenses	($211,403)	($211,403)	($211,403)	($211,403)	($211,403)	($211,403)	($211,403)	($211,403)	($211,403)	($211,403)	($211,403)	($211,403)	($217,217)	($217,217)	($217,217)	($217,217)	($217,217)	($217,217)
Stabilized NOI	$99,187	$99,187	$99,187	$99,187	$99,187	$99,187	$99,187	$99,187	$99,187	$99,187	$99,187	$99,187	$101,138	$101,138	$101,138	$101,138	$101,138	$101,138
Total Gross Monthly Income	$365,400	$365,400	$365,400	$365,400	$365,400	$365,400	$365,400	$365,400	$365,400	$365,400	$365,400	$365,400	$374,535	$374,535	$374,535	$374,535	$374,535	$374,535
Less Vacancy	28.09%	26.97%	26.40%	25.84%	24.72%	24.16%	23.60%	22.47%	21.35%	20.79%	19.66%	18.54%	17.98%	17.42%	16.85%	16.29%	15.73%	15.17%
	$102,640	$98,535	$96,482	$94,429	$90,324	$88,271	$86,218	$82,112	$78,007	$75,954	$71,848	$67,743	$67,332	$65,228	$63,124	$61,020	$58,916	$56,811
Projected Effective Gross Inc.	$262,760	$266,865	$268,918	$270,971	$275,076	$277,129	$279,182	$283,288	$287,393	$289,446	$293,552	$297,657	$307,203	$309,307	$311,411	$313,515	$315,619	$317,724
Total Projected Expenses	($211,403)	($211,403)	($211,403)	($211,403)	($211,403)	($211,403)	($211,403)	($211,403)	($211,403)	($211,403)	($211,403)	($211,403)	($217,217)	($217,217)	($217,217)	($217,217)	($217,217)	($217,217)
Projected NOI	$51,357	$55,462	$57,515	$59,568	$63,673	$65,726	$67,779	$71,885	$75,990	$78,043	$82,149	$86,254	$89,986	$92,090	$94,194	$96,298	$98,402	$100,507
Rent Loss	$47,830	$43,725	$41,672	$39,619	$35,514	$33,461	$31,408	$27,302	$23,197	$21,144	$17,038	$12,933	$11,152	$9,048	$6,944	$4,840	$2,736	$0
Present Value Factor	0.990	0.980	0.971	0.961	0.951	0.942	0.933	0.923	0.914	0.905	0.896	0.887	0.879	0.870	0.861	0.853	0.844	0.836
Present Value Of Loss @ 10.00%	$47,356	$42,863	$40,446	$38,073	$33,790	$31,522	$29,295	$25,213	$21,210	$19,141	$15,272	$11,477	$9,799	$7,871	$5,981	$4,128	$2,310	$0

Qualifications of Ashley Soape

Appraiser

Valbridge Property Advisors | The Gerald A. Teel Company, Inc.

Independent Valuations for a Variable World

State Certifications

State of Texas

Education

Texas A&M University
Texas A&M University – Masters of Real Estate

Contact Details

713-467-5858 (p)
713-467-0704 (f)

Valbridge Property Advisors | The Gerald A. Teel Company, Inc.
974 Campbell Road
Suite 204
Houston, Texas 77024

www.valbridge.com
asoape@valbridge.com

Membership/Affiliations:

Member: Appraisal Institute – Candidate for Designation
Co-Chairman: Young Appraiser Professionals

Appraisal Institute & Related Courses:

Fundamentals of Separating Real Property, Personal Property, and Intangible Business Assets
Business Practices and Ethics
General Appraiser Site Valuation and Cost Approach
National USPAP Course

Master of Real Estate Related Courses:

Real Property Valuation I
Real Property Valuation II
Real Property Finance
Real Property Analysis
Analysis of Real Estate Decisions
Real Estate Development Analysis
Market Analysis for Real Estate Development

Experience:

Appraiser

Valbridge Property Advisors | The Gerald A. Teel Company, Inc. (2011-Present)

Appraisal/valuation and consulting assignments include: apartment buildings; retail buildings and shopping centers; office buildings; industrial buildings; religious and special purpose properties including schools, churches and cemeteries; hotels and motels; residential subdivisions; and vacant industrial, commercial and residential land. Assignments have been concentrated in southwest region of the US, including Texas, Oklahoma and Arkansas.

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

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

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

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

ASHLEY GRACE SOAPE
19419 S STONE LANE
KATY, TX 77449

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

Number#: **TX 1380219 G**

Issued: **03/28/2013** Expires: **03/31/2015**

Appraiser: **ASHLEY GRACE SOAPE**

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

Douglas E. Oldmixon
Commissioner

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

Number: **TX 1380219 G**

Issued: **03/28/2013** Expires: **03/31/2015**

Appraiser: **ASHLEY GRACE SOAPE**

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

Qualifications of Gerald A. Teel, MAI, CRE, SGA, SRPA

Senior Managing Director

Valbridge Property Advisors | The Gerald A. Teel Company, Inc.

Independent Valuations for a Variable World

State Certifications

State of Texas
State of Louisiana
State of Mississippi

Education

Bachelor of Science
Electrical Engineering
Texas A&M University

Contact Details

713-467-5858 (p)
713-254-6178 (m)
713-467-0701 (f)

Valbridge Property Advisors | The Gerald A. Teel Company, Inc.
974 Campbell Road
Suite 204
Houston, TX 77024

www.valbridge.com
gteel@valbridge.com

Membership/Affiliations:

Member:	Appraisal Institute – MAI Designation
Member:	Counselor of Real Estate (CRE)
Member:	National Golf Foundation (NGF)
Member:	Society of Golf Appraisers (SGA)
Broker License:	Texas Real Estate Commission

Appraisal Institute & Related Courses:

Appraisal Institute member to Education Committee of Appraisal Foundation Sponsors (ECAFS) 2004-2007
Ethics Administration Chair – Appraisal Institute Region VIII, 2001-2008
Chair of Appraisal Institute Government Relations Committee – 1996
Member of the Appraisal Institute Executive Committee – 1996
Board of Directors – Houston Association of Realtors – HAR 1995
Chairman of the Commercial Investment Division – HAR 1995
Executive Committee – HAR 1995
Past President – The Counselors of Real Estate – Gulf Coast Chapter
National Board of Directors Appraisal Institute – 1991-1994, 1996
Region VIII Member of the General Appraiser Board – 1991-1994
Past Member – International Professional Practice Committee for the
Society of Real Estate Appraisers
Past President – Appraisal Institute – Houston Chapter No. 33
Past President – Society of Real Estate Appraisers – Houston Chapter
No. 83

Experience:

Senior Managing Director
Valbridge Property Advisors | The Gerald A. Teel Company, Inc. (2013-Present)

President
The Gerald A. Teel Company, Inc. (1983-Present)

In connection with above employment, clients include pension funds, advisors, corporations, condemnation authorities and property owners, financial institutions, attorneys, individuals, and courts. In this capacity, appraisals and convalescent centers, retirement communities, commercial properties, subdivisions, farms, ranches, residences, apartments, industrial properties, all types of easement and a wide variety of special purpose properties including golf courses, chemical plants and oil refineries.

Qualifications of Gerald A. Teel, MAI, CRE, SGA, SRPA

Continued

Partner in the firm of Dominy, Ford, McPherson & Teel, Real Estate Appraisers and Consultants from 1974 – 1983

Instructor
Member – Faculty for the Appraisal Institute 1984-2011
Courses: "Capitalization Theory & Techniques"
"Real Estate Appraisal Principles" and The Uniform Standard of
Professional Appraisal Practice Course; Business Practice and Ethics
Instructor for Appraisal Institute sponsored courses for:
The Czech Chambers of Appraisers
Prague, Czech Republic – 1993
The Korean Appraisal Board
Seoul, South Korea – 2001 and 2002

Court Qualifications
Qualified as an expert witness in courts of Brazos, Brazoria, Dallas, Fort Bend, Galveston, Grimes, Harris, Jefferson, Nueces and Robertson Counties; Federal Bankruptcy Court in Texas, California, Illinois, Tennessee, New York, Florida and Utah; and Hearings for the Texas Health Facilities Commission.

Biographical Background
Born in Baytown, Texas, 1944, two children, Pilot in the U.S. Air Force, Vietnam; involved primarily in real estate oriented activities since 1972; i.e., brokerage, investments, development and property management.

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

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

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

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

GERALD ADRON TEEL
974 CAMPBELL RD STE 204
HOUSTON, TX 77024

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

Number#: **TX 1320749 G**

Issued: **03/15/2013** Expires: **05/31/2015**

Appraiser: **GERALD ADRON TEEL**

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

Douglas E. Oldmixon
Commissioner

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

Number: **TX 1320749 G**

Issued: **03/15/2013** Expires: **05/31/2015**

Appraiser: **GERALD ADRON TEEL**

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

Qualifications of Chris Lantz

Senior Managing Director

Valbridge Property Advisors | The Gerald A. Teel Company, Inc.

Independent Valuations for a Variable World

State Certifications

State of Texas
State of Oklahoma

Education

University of Texas
Austin Community College

Contact Details

713-467-5858 (p)
713-467-0704 (f)

Valbridge Property Advisors | The Gerald A. Teel Company, Inc.
974 Campbell Road
Suite 204
Houston, Texas 77024

www.valbridge.com
clantz@valbridge.com

Membership/Affiliations:

Member:	Appraisal Institute – Candidate for Designation
Member:	International Right-of-Way Association

Appraisal Institute & Related Courses:

Course 310 –	Basic Income Capitalization
Course 320 –	General Applications
Course 400 –	General Market Analysis & Highest and Best Use
Course 420 –	Business Practices & Ethics
Course 510 –	Advanced Income Capitalization
Course 530 –	Advanced Sales Comparison & Cost Approaches
Course 540 –	Report Writing and Valuation Analysis
Course 550 –	Advanced Applications
Course 733 -	Fundamentals of Separating Real Property, Personal Property, and Intangible Business Assets

Experience:

Senior Managing Director
Valbridge Property Advisors | The Gerald A. Teel Company, Inc. (2013-Present)

Managing Director
The Gerald A. Teel Company, Inc. (2008-2013)

Appraiser
The Gerald A. Teel Company, Inc. (1998-2008)

Appraiser
Frank D. Flores & Associates, Inc. (1991-1998)

Assignments include: apartment buildings; student housing: retail buildings and shopping centers; office buildings; industrial buildings;; hotels and motels; residential subdivisions; and vacant industrial, commercial and residential land. Assignments have been concentrated in southwest region of the US, including Texas, Louisiana, Oklahoma and Arkansas.

Right-of-way appraisal experience includes hundreds of partial acquisition assignments throughout Texas.

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

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

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

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

CHRIS E LANTZ
974 CAMPBELL RD SUITE 204
HOUSTON, TX 77024

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

Number#: **TX 1326743 G**
Issued: **07/03/2013** Expires: **06/30/2015**
Appraiser: **CHRIS E LANTZ**

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

Douglas E. Oldmixon
Commissioner

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

Number: **TX 1326743 G**
Issued: **07/03/2013** Expires: **06/30/2015**
Appraiser: **CHRIS E LANTZ**

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

Douglas E. Oldmixon
Commissioner

Information on Valbridge Property Advisors

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

- Total number of MAIs (163 on staff)
- Total number of office locations (60 across the U.S.)
- Total number of staff (600+ strong)

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

Valbridge services all property types, including:

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

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

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

Independent Valuation for a Variable World

Office Locations

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

ARIZONA
Valbridge Property Advisors | MJN Enterprises, Inc.
6061 E. Grant Road, Suite 121
Tucson, AZ 85712
520-321-0000 phone

CALIFORNIA
Valbridge Property Advisors | Michael Burger & Associates
4915 Calloway Drive, Suite 101
Bakersfield, CA 93312
661-587-1010 phone

Valbridge Property Advisors | Cummings Appraisal Group, Inc.
99 S. Lake Avenue, Suite 21
Pasadena, CA 91101
626-744-0428 phone

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

2813 Coffee Road, Suite E-2
Modesto, CA 95355
209-569-0450 phone

One North Market Street
San Jose, CA 95113
408-279-1520 phone

3160 Crow Canyon Place, #245
San Ramon, CA 94583
925-327-1660 phone

Valbridge Property Advisors | Penner & Associates, Inc.
1370 N. Brea Boulevard, #255
Fullerton, CA 92835
714-449-0852 phone

Valbridge Property Advisors | Ribacchi & Associates
10301 Placer Lane, Suite 100
Sacramento, CA 95827
916-361-2509 phone

COLORADO
Valbridge Property Advisors | Bristol Realty Counselors
5345 Arapahoe, Suite 7
Boulder, CO 80303
303-443-9600 phone

Valbridge Property Advisors I Mountain West
562 Highway 133
Carbondale, CO 81623
970-340-1016 phone

CONNECTICUT
Valbridge Property Advisors | Italia & Lemp, Inc.
6 Central Row, Third Floor
Hartford, CT 06103-2701
860-246-4606 phone

17 High Street, Suite 214
Norwalk, CT 06851
203-286-6520 phone

FLORIDA
Valbridge Property Advisors | Armalavage Valuation, LLC
2240 Venetian Court
Naples, FL 34109
239-514-4646 phone

Valbridge Property Advisors | Beaumont, Matthes & Church, Inc.
603 Hillcrest Street
Orlando, FL 32803
407-839-3626 phone

Valbridge Property Advisors | Boyd, Schmidt & Brannum,
2711 Poinsettia Avenue
West Palm Beach, FL 33407
561-833-5331 phone

Valbridge Property Advisors | Broom, Moody, Johnson & Grainger, Inc.
121 West Forsyth Street, #1000
Jacksonville, FL 32202
904-296-3000 phone

Valbridge Property Advisors | Entreken Associates, Inc.
1100 16th Street N
St. Petersburg, FL 33705
727-894-1800 phone

GEORGIA
Valbridge Property Advisors | Cantrell Miller, LLC
2675 Paces Ferry Road, Ste 145
Atlanta, GA 30339
678-644-4853 phone

IDAHO
Valbridge Property Advisors | Auble, Jolicoeur & Gentry, Inc.
1875 N. Lakewood Drive, #100
Coeur d'Alene, ID 83814
208-292-2965 phone

Valbridge Property Advisors | Mountain States Appraisal &Consulting, Inc.
1459 Tyrell Lane, Suite B
Boise, ID 83706
208-336-1097 phone

INDIANA
Valbridge Property Advisors | Mitchell Appraisals, Inc.
820 Fort Wayne Avenue
Indianapolis, IN 46204
317-687-2747 phone

IOWA
Valbridge Property Advisors | Roy R. Fisher, Inc.
2010 East 38th Street, Suite 201
Davenport, IA 52807
563-355-6606 phone

KANSAS
Valbridge Property Advisors | Shaner Appraisals, Inc.
10990 Quivira Road, Suite 100
Overland Park, KS 66210
913-451-1451 phone

KENTUCKY
Valbridge Property Advisors |Allgeier Company
214 South 8th Street, Suite 200
Louisville, KY 40202
502-585-3651 phone

LOUISIANA
Valbridge Property Advisors | Argote, Derbes, Graham, Shuffield & Tatje, Inc.
512 North Causeway Boulevard
Metairie, LA 70001
504-833-8234 phone

7607 Fern Avenue, Suite 104
Shreveport, LA 71105
318-797-0543 phone

MARYLAND
Valbridge Property Advisors | Lipman Frizzell & Mitchell LLC
6240 Old Dobbin Lane, Suite 140
Columbia, MD 21045
410-423-2300 phone

MASSACHUSETTS
Valbridge Property Advisors | Bullock Commercial Appraisal, LLC
21 Muzzey Street, Suite 2
Lexington, MA 02421
781-652-0700 phone

MICHIGAN
Valbridge Property Advisors | The Oetzel-Hartman Group
321 Woodland Pass, Suite 200
East Lansing, MI 48823
517-336-0001 phone

MINNESOTA
Valbridge Property Advisors | Mardell Partners, Inc.
120 South 6th Street, Suite 1650
Minneapolis, MN 55402
612-253-0650 phone

NEVADA
Valbridge Property Advisors | Lubawy & Associates, Inc.
3034 S. Durango Drive, Suite 100
Las Vegas, NV 89117
702-242-9369 phone

NEW JERSEY
Valbridge Property Advisors | Oxford Group
2740 Route 10 West, Suite 204
Morris Plains, NJ 07950
973-970-9333 phone

2052 Route 35, Suite 104
Wall Township, NJ 07719
732-807-3113 phone

NEW YORK
Valbridge Property Advisors | Oxford Group
424 West 33rd Street, Suite 630
New York, NY 1001
212-268-1113 phone

NORTH CAROLINA
Valbridge Property Advisors | John Bosworth &Associates, LLC
4530 Park Road, Suite 100
Charlotte, NC 28209
704-376-5400 phone

Valbridge Property Advisors | Paramount Appraisal Group, Inc.
412 E. Chatham Street
Cary, NC 27511
919-859-2666 phone

OHIO
Valbridge Property Advisors | Akron Appraisal Group, Inc.
1655 W. Market Street, Suite 130
Akron, OH 44313
330-899-9900 phone

Valbridge Property Advisors | Allgeier Company
9277 Centre Point Dr., Suite 350
West Chester, OH 45069
513-785-0820 phone

Valbridge Property Advisors
526 E. Superior Avenue
Suite 455
Cleveland, OH 44114
216-367-9690 phone

OKLAHOMA
Valbridge Property Advisors | Walton Property Services, LLC
6666 S. Sheridan Road, Suite 104
Tulsa, OK 74133
918-712-9992 phone

PENNSYLVANIA
Valbridge Property Advisors | Barone, Murtha, Shonberg & Associates, Inc.
4701 Baptist Road, Suite 304
Pittsburgh, PA 15227
412-881-6080 phone

Valbridge Property Advisors | Lukens & Wolf, LLC
150 South Warner Road, Ste. 440
King of Prussia, PA 19404
215-545-1900 phone

SOUTH CAROLINA
Valbridge Property Advisors | Atlantic Appraisals, LLC
1250 Fairmont Avenue
Mt. Pleasant, SC 29464
843-884-1266 phone

800 Main Street, Suite 220
Hilton Head Island, SC 29926
843-342-2302 phone

Valbridge Property Advisors | Robinson Company
610 N. Main Street
Greenville, SC 29601
864-233-6277 phone

TENNESSEE
Valbridge Property Advisors | R.K. Barnes & Associates, Inc.
112 Westwood Place, Suite 300
Brentwood, TN 37027
615-369-0670 phone

Valbridge Property Advisors | C & I Appraisal Services, Inc.
6750 Poplar Avenue, Suite 706
Memphis, TN 38138
901-753-6977 phone

Valbridge Property Advisors | Meridian Realty Advisors, LLC
213 Fox Road
Knoxville, TN 37922
865-522-2424 phone

TEXAS
Valbridge Property Advisors | Dugger, Canaday, Grafe, Inc.
111 Soledad, Suite 800
San Antonio, TX 78205
210-227-6229 phone

Valbridge Property Advisors | The Gerald A. Teel Company, Inc.
Two Energy Square
4849 Greenville Avenue, Ste 1495
Dallas, TX 75206
214-446-1611 phone

974 Campbell Road, Suite 204
Houston, TX 77024
713-467-5858 phone

Valbridge Property Advisors
2731 81st Street
Lubbock, TX 79423
806-744-1188 phone

UTAH
Valbridge Property Advisors | Free and Associates, Inc.
260 South 2500 West, Suite 301
Pleasant Grove, UT 84062
801-492-9328 phone

1100 East 6600 South, Suite 201
Salt Lake City, UT 84121
801-262-3388 phone

20 North Main, Suite 304
St. George, UT 84770
435-773-6300 phone

VIRGINIA
Valbridge Property Advisors | Axial Advisory Group, LLC
656 Independence Parkway, #220
Chesapeake, VA 23320
757-410-1222 phone

7400 Beaufont Springs Dr., #300
Richmond, VA 23225
804-672-4473 phone

4732 Longhill Road, Suite 3202
Williamsburg, VA 23188
757-345-0010 phone

WASHINGTON
Valbridge Property Advisors | Allen Brackett Shedd
419 Berkeley Avenue, Suite A
Fircrest, WA 98466
253-274-0099 phone

12320 NE 8th Street, Suite 200
Bellevue, WA 98005
425-450-4040 phone

Valbridge Property Advisors | Auble, Jolicoeur & Gentry, Inc.
324 N. Mullan Road
Spokane Valley, WA 99206
509-747-0999 phone

7601 West Clearwater Avenue
Suite 320
Kennewick, WA 99336
509-221-1540 phone

WISCONSIN
Valbridge Property Advisors | Vitale Realty Advisors, LLC
12660 W. North Avenue
Brookfield, WI 53005
262-782-7990 phone