

SUMMARY APPRAISAL OF
± 32.6942 ACRES OF LAND & IMPROVEMENTS
LOCATED AT THE
NORTHWEST CORNER OF
SPRING CYPRESS ROAD & DRY CREEK
CITY OF CYPRESS,
HARRIS COUNTY, TEXAS

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January 30, 2008

Spring Cypress, LLC.
c/o: Mr. Thomas E. Sheffield
Barron & Alder, LLP
1001 McKinney, Suite 400
Houston, Texas 77002

RE: **Summary Appraisal of ± 32.6942 acres of land and improvements located at the northwest corner of Spring Cypress Road and Dry Creek, just east of Skinner Road, Cypress, Harris County, Texas.**

Dear Mr. Sheffield:

As requested, we have inspected the above referenced property and considered those factors that we deemed pertinent in arriving at an estimate of Market Value.

Market Value, as used in this report, is defined as that cited in the City of Austin vs. Cannizzo, 267 S.W.2d 808,815 (Tex. 1954), which is as follows:

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

Based on our analysis, it is our opinion that, as of January 30, 2008, the Just Compensation due the owner is:

\$1,784,520

ONE MILLION SEVEN HUNDRED EIGHTY FOUR THOUSAND FIVE HUNDRED TWENTY DOLLARS

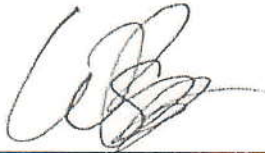
Mr. Thomas E. Sheffield

January 30, 2008

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Your attention is directed to the following data, which, in part, forms the basis of our conclusions. Should you have any questions, please contact us.

Sincerely,

A handwritten signature in black ink, appearing to read 'W. Baer', written over a horizontal line.

Wayne B. Baer, MAI
TX-1320542-G

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APPRAISAL SUMMARY

Subject Property: ±32.6942 acres of land and improvements located at the northwest corner of Spring Cypress Road and Dry Creek, just east of Skinner Road, with a physical address of 16614 Spring Cypress Road, Cypress, Harris County, Texas.

Project/Parcels: Spring Cypress Road Widening and Improvement Project – Tract 32 DP & Tract 1 DP.

Legal Description: ± 32.6942 acres out of the T.J. Stansbury Survey, Abstract No. 710, Harris County, Texas.

Property Owner(s): Spring Cypress, LLC

Effective Date of Appraisal: January, 30 2008

Date of Report: January, 30 2008

Whole Property

Land Size: 32.6942 acres (1,424,161 square feet)

Improvements: The property is improved with a 5,215 SF single-family residence constructed in 1970. Ancillary improvements include a barn, driveway paving, 3 car garage and fencing. The improvements have no contributory value to the land.

Part Taken

Permanent Taking: The part taken consists of two contiguous tracts acquired in easement for detention pond purposes. Tract 1 DP is located in the northeast portion of the subject whole property and contains 6.641 acres (289,287 SF). Tract 32 DP is located in the southeast portion of the subject whole property and contains 5.182 acres (225,726 SF). It is our opinion that the easement value of the part taken is approximately 99% of the underlying fee value. There are no improvements located within the part taken.

Remainder

Land: 20.8712 acres (909,148 SF). It is our opinion that the owner will retain approximately 1% of the underlying fee value of the easement areas.

Improvements: The remainder after the taking is improved with a 5,215 SF single-family residence constructed in 1970. Ancillary improvements include a barn, driveway paving, 3 car garage and fencing. The improvements have no contributory value to the land.

VALUE CONCLUSIONS

| | |
|--|--------------------|
| Value of the Whole Property Before the Taking: | \$4,984,563 |
| Less: Value of the Part Taken: | (\$1,784,520) |
| Value of the Remainder Before the Taking: | \$3,200,043 |
| Value of the Remainder After the Taking: | \$3,200,043 |
| Damages: | \$ 0 |
| Just Compensation Due the Owner: | \$1,784,520 |

ONE MILLION SEVEN HUNDRED EIGHTY FOUR THOUSAND FIVE HUNDRED TWENTY DOLLARS

APPRAISAL ASSIGNMENT

IDENTIFICATION OF THE SUBJECT PROPERTY

The property under valuation contains 32.6942 acres of land and improvements located at the northwest corner of Spring Cypress Road and Dry Creek, just east of Skinner Road, Harris County, Texas. The property is legally described as follows:

± 32.6942 acres out of the T.J. Stansbury Survey, Abstract No. 710, Harris County, Texas.

PURPOSE AND INTENDED USE OF THE APPRAISAL

The purpose of this appraisal is to estimate the Market Value of the subject property. It is our understanding that the client will use our appraisal conclusions in matters relating to the eminent domain proceedings styled Harris County, Texas vs. Spring Cypress, LLC.

MARKET VALUE DEFINED

The purpose of this summary appraisal is to provide the appraiser's best estimate of the market value of the subject real property and to determine the value of damages, if they exist, as of the effective date. The Supreme Court of Texas as defines market value as:

"The price which the property would be when it is offered for sale by one who desires, but is not obligated to sell, and is bought by one who is under no necessity of buying it, taking into consideration all of the uses to which it is reasonably adaptable and for which it either is or in all reasonable probability will become available within the reasonable future." City of Austin v. Cannizzo, 267 S.W. 2d 808, 815 (Tex. 1954)

IDENTITY OF THE CLIENT AND INTENDED USERS

The client in this assignment is Spring Cypress, LLC. The intended users are the client and/or their authorized agents relative to the aforementioned intended use of the report.

PROPERTY RIGHTS (INTEREST) APPRAISED

The property rights appraised herein are those inherent in fee simple title, which are subject only to the limitations of eminent domain, escheat, police power, and taxation.

HISTORY OF OWNERSHIP OF THE SUBJECT PROPERTY

As of the effective date of appraisal, title ownership of the subject property was vested in the name Spring Cypress, LLC. The subject property was purchased by the current owners from Tracy N. Lawrence on April 17, 2007 for a reported \$1,900,000. Mr. Danino with Spring Cypress, LLC, reported that additional consideration should be given to the previous purchaser, Mr. Lawrence, who has retained an interest in the property. In accordance with USPAP Standards Rule 1-5(a) and (b), we are unaware of any arm's length sales of the subject property over the three years prior to the date of appraisal.

DATE OF VALUE AND DATE OF REPORT

The effective date of appraisal is January 30, 2008 and the appraisal report was completed on January 30, 2008.

COMPETENCY

We are of the opinion that our past experience, together with our research and investigation into the market, as explained in the "Appraisal Methods/Scope of the Appraisal" section of the report, has made us competent to appraise the subject property.

SCOPE OF THE APPRAISAL

This is a summary appraisal report that is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of USPAP. As such, this report presents only summary discussion of the data, reasoning, and analysis that were used in the appraisal process to develop our opinion of value. Additional documentation concerning the data, reasoning and analysis is retained in our file.

In order to complete the assignment, market data was gathered on the subject property and on properties of similar highest and best use characteristics. We have researched land sales of similar properties in the market area. Our research included discussions with real estate brokers that specialize in the area and local market participants, as well as utilization of national and local databases that specialize in reporting sales transactions. This data was confirmed by examination of public records and/or by confirmation with the principals, agents, or knowledgeable sources involved.

We have inspected the subject property and improvements. This information, together with our knowledge of the area, is sufficient to provide an opinion of just compensation.

The subject property consists of effectively vacant land. The improvements were not considered to be consistent with the highest and best use of the property, defined herein, and were not considered in this appraisal. Therefore, we have utilized the Sales Comparison Approach in our value estimate of the subject property.

EXPOSURE TIME

Exposure time is defined as the estimated length of time the property interest being appraised would have been on the market prior to the hypothetical consummation of a sale at the market value on the effective date of appraisal. Based on market data, together with discussions with various market participants, we consider a reasonable exposure time to be approximately one year. In this instance, we believe exposure time and marketing time to be approximately the same.

REAL ESTATE TAXES

As of the date of appraisal, the subject property was taxed by Harris County, Harris County Flood Control, Harris County Department of Education, Port of Houston Authority, Harris County Hospital District, North Harris Montgomery College District, HC Emergency Service District 9 and Cypress-Fairbanks Independent School District.

According to the Harris County Appraisal District, the 2007 ad valorem taxes have been paid in full. The tax identification numbers for the subject property are 045-014-000-0012 & 045-014-000-0019.

NEIGHBORHOOD ANALYSIS

The social, economic, governmental and environmental forces in the vicinity of the subject property directly influence the value of the property being appraised. The appraiser must identify the boundaries within which all properties are affected by these forces in the same way they affect the property being appraised. This area of influence is called a neighborhood, which is defined in The Appraisal of Real Estate, 12th Edition, by the Appraisal Institute, as "a group of complementary land uses."

Neighborhoods may be devoted to such uses as residential, commercial, industrial, agricultural, cultural and civic activities, or a mixture of these uses. Analysis of the neighborhood in which a particular property is located is important due to the fact that the various economic, social, political, and physical forces which affect the neighborhood also directly influence the individual properties within it. An analysis of these various factors as they affect the value of the subject property is presented in the following discussion.

The subject property is a well located tract in northwest Harris County, approximately 25 miles northwest of the Houston Central Business District. Specifically, the subject property is located at the northwest corner of Spring Cypress Road and Dry Creek, just east of the Spring Cypress/Skinner Road intersection and less than one mile east of Highway 290. For purposes of this appraisal, the subject neighborhood can be described as those areas along or in the vicinity of Highway 290, extending west to Mueschke Road, east to Telge Road and northeast along Spring Cypress to Highway 249. Primary thoroughfares and transportation arteries include Highway 290, Old Highway 290 (Hempstead Road), Highway 249, Cypress Rosehill Drive, Huffmeister Road and Telge Road. Commercial and retail development has been prominent within the area in recent years, specifically within the immediate area of the subject property.

Additionally, single and multi-family residential properties are located off of the major traffic carriers in newer establishing neighborhood developments of Coles Crossing,

Black Horse Ranch, Stone Gate, and Sydney Harbour, just to name a few. Coles Crossing encompasses the immediate subject market area. Coles Crossing is a master-planned community offering 2,630 single-family home sites, as well as commercial and multi-family sites, nestled in 1,200 acres of forested land. Coles Crossing showcases a wide selection of single-family homes ranging from the moderately priced mid \$200s to exclusive estate homes on lots one-half acre or larger in size ranging in price from the \$400s to the high \$800s. Coles Crossing features amenities like 175 acres of recreational facilities including sports practice fields, a freeform swimming pool with fountains and "lazy river" water feature, lighted tennis courts, an indoor fitness center, and fishing ponds. Throughout the neighborhood are parks, playgrounds and miles of greenbelt trails in addition to a 56-acre Nature Park along Cypress Creek with 2.5-mile nature trail.

Another significant planned development in the subject area is the Bridgeland Master Planned Community. Bridgeland is located west of Highway 290 and recently expanded with the addition of 1,234 acres adjoining the original site, bring the projects total acreage to 11,401. The community has average annual home sales of 350, which is expected to reach more than 400. Bridgeland will contain over 20,000 planned residential lots. Commencement of this development began in mid-2004. Bridgeland is being developed by General Growth Properties/Rouse Company and, upon completion, should rival similar master planned communities such as The Woodlands and First Colony in term of market appeal/demand. It is notable that the General Growth Properties REIT acquired the Bridgelands with its merger with The Rouse Company in November 2004. General Growth Properties also owns The Woodlands Mall and First Colony Mall.

The highest concentration of commercial activity in the subject neighborhood is located in close proximity to the subject property. One of the newest and most proliferate retail and commercial developments is the "Cypress Towne Center". It is located just west of the subject property at the southwest corner of Spring Cypress and Highway 290. This is a development of Property Commerce and is situated on an approximate 40 acre site and is comprised of a total of 380,000 square feet of retail space. The main anchors in

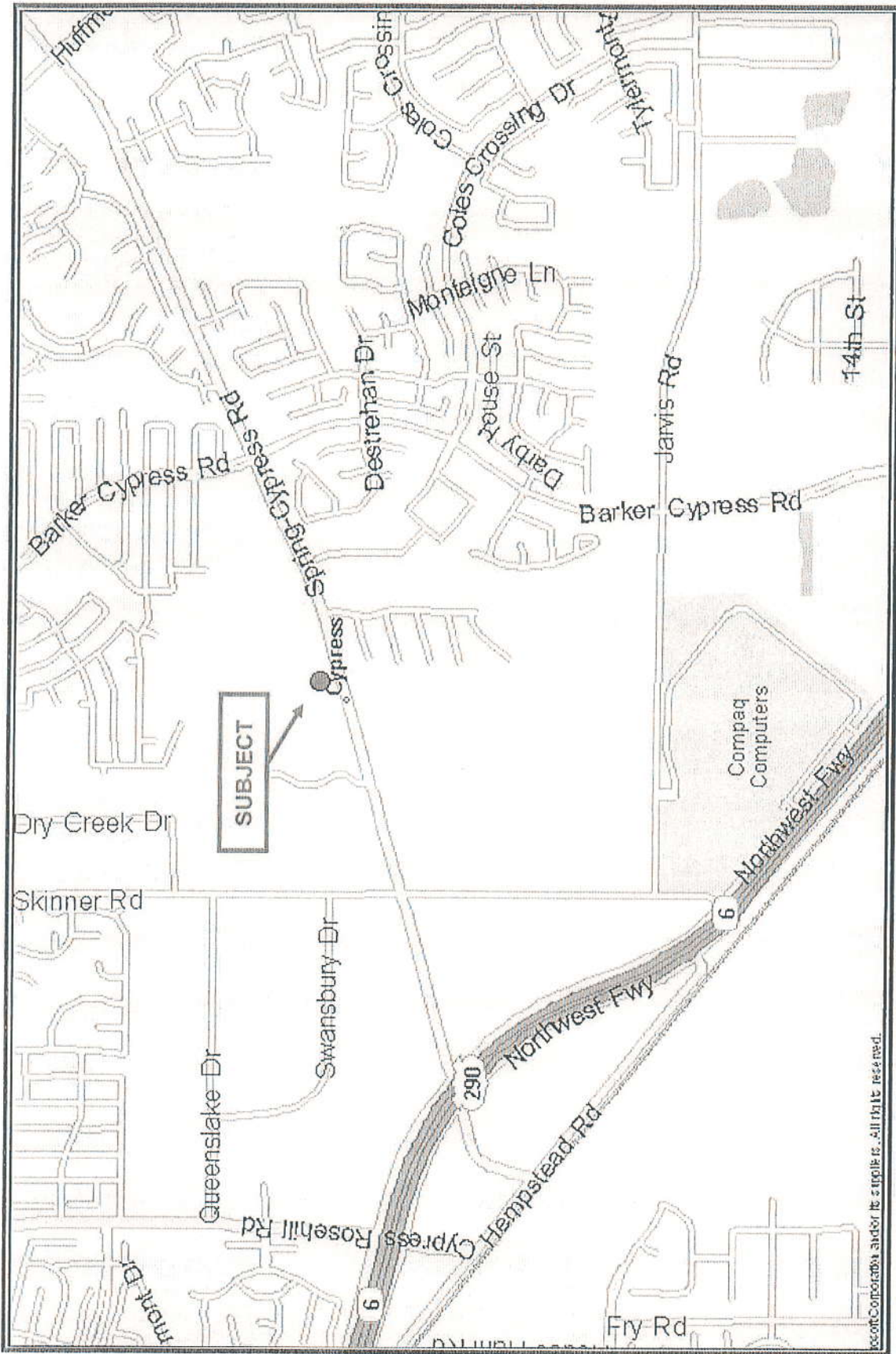
this center are Target, Ross, Bed Bath and Beyond, Pier One, PetsMart, Office Depot and TJ Maxx. Pad sites along the south line of Highway 290 have been improved with various retail and commercial uses including a Hibernia Bank Branch, Chili's, Chick-fil-A, Taco Cabana and NTB (National Tire and Battery.)

At the northeast corner of Highway 290 and Spring Cypress, there is another large retail center developed by New Quest Properties. "Cy Fair Town Center" contains a Kroger's Signature store along with tenants to include banks, professional offices and small retail users. Additionally, located at the northwest corner of Highway 290 and Spring Cypress is a Home Depot store, with a Wal-Mart located just west along Highway 290.

Due to the significant retail added at Highway 290 and Spring Cypress, Spring Cypress is rapidly becoming the major east/west corridor north of FM 1960 and is currently being widened from two to four lanes. Barker Cypress Road, south of Highway 290, has undergone significant growth in a number of areas. In addition to the numerous residential subdivisions that have been developed recently, Cy Fair Community College opened its campus on 200 acres at the corner of Barker Cypress and West Roads in 2003. The college currently has an enrollment of approximately 10,000 students. Adjacent to the college, is the Richard E. Berry Educational Support Center, serving Cy Fair Independent School District. The center contains a 16,000-square-foot staff development and conference center; a 456-seat auditorium/theater; and an athletic stadium designed to seat 11,000 people. This immense facility is used year-round for district-wide staff development for teachers; extra- and co-curricular activities; performances and competitions; catering and banquets for honors, awards and celebrations; and graduation exercises. The residential growth combined with these two new projects creates the need for additional supporting retail and restaurants in the market area.¹

Overall, the subject neighborhood, as of the effective appraisal date, has been experiencing tremendous growth and expansion. This trend is expected to continue into the foreseeable future.

¹ Texas Real Estate Business



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NEIGHBORHOOD MAP

PROPERTY DESCRIPTION

| | |
|---------------------------|--|
| Land Size: | ±32.6942 acres or 1,424,161 square feet |
| Location: | The northwest corner of Spring Cypress Road and Dry Creek, just east of Skinner Road and Highway 290, Harris County, Texas. |
| Shape/Configuration: | Irregular |
| Topography: | Relatively level |
| Easements: | No adverse easements |
| Flood Plain: | According to the City of Houston Geographic Information and Management System, the northern and eastern portions of the subject property are partially located within the 100-year and 500-year floodplains. |
| Utilities: | Public water and sewer service are currently unavailable. |
| Zoning/Land Use Controls: | None |
| Frontage: | Approximately 1,163.67 feet of frontage along the north side of Spring Cypress Road. |
| Improvements: | The subject property is improved with a 5,215 SF single-family residence constructed in 1970. Ancillary improvements include a barn, driveway paving, 3 car garage and fencing. The improvements were considered to be in poor condition and of no contributory value to the land. |
| Highest and Best Use | As Vacant: Considering the physical characteristics of the subject property, the legal uses, and current development and growth trends, it is our opinion that the highest and best use of the whole property, as vacant, is for commercial and residential development. |

APPRAISAL METHODS/SCOPE

This is a summary appraisal report that is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of USPAP. As such, this report presents only summary discussion of the data, reasoning, and analysis that were used in the appraisal process to develop our opinion of value. Additional documentation concerning the data, reasoning and analysis is retained in our file.

The three traditional appraisal approaches to value are the Cost Approach, Sales Comparison Approach, and Income Capitalization Approach. They are described, as follows:

The Cost Approach is based on the premise that the value of a property is indicated by the current cost to construct a replacement for the improvements, less the amount of depreciation from all causes evident in the improvements, plus the value of the land.

The Sales Comparison Approach is based on elements of direct comparison. Adjustments are made to the sale price of each comparable property to reflect the differences between the comparable and the subject property, including time, conditions of sale, and physical characteristics.

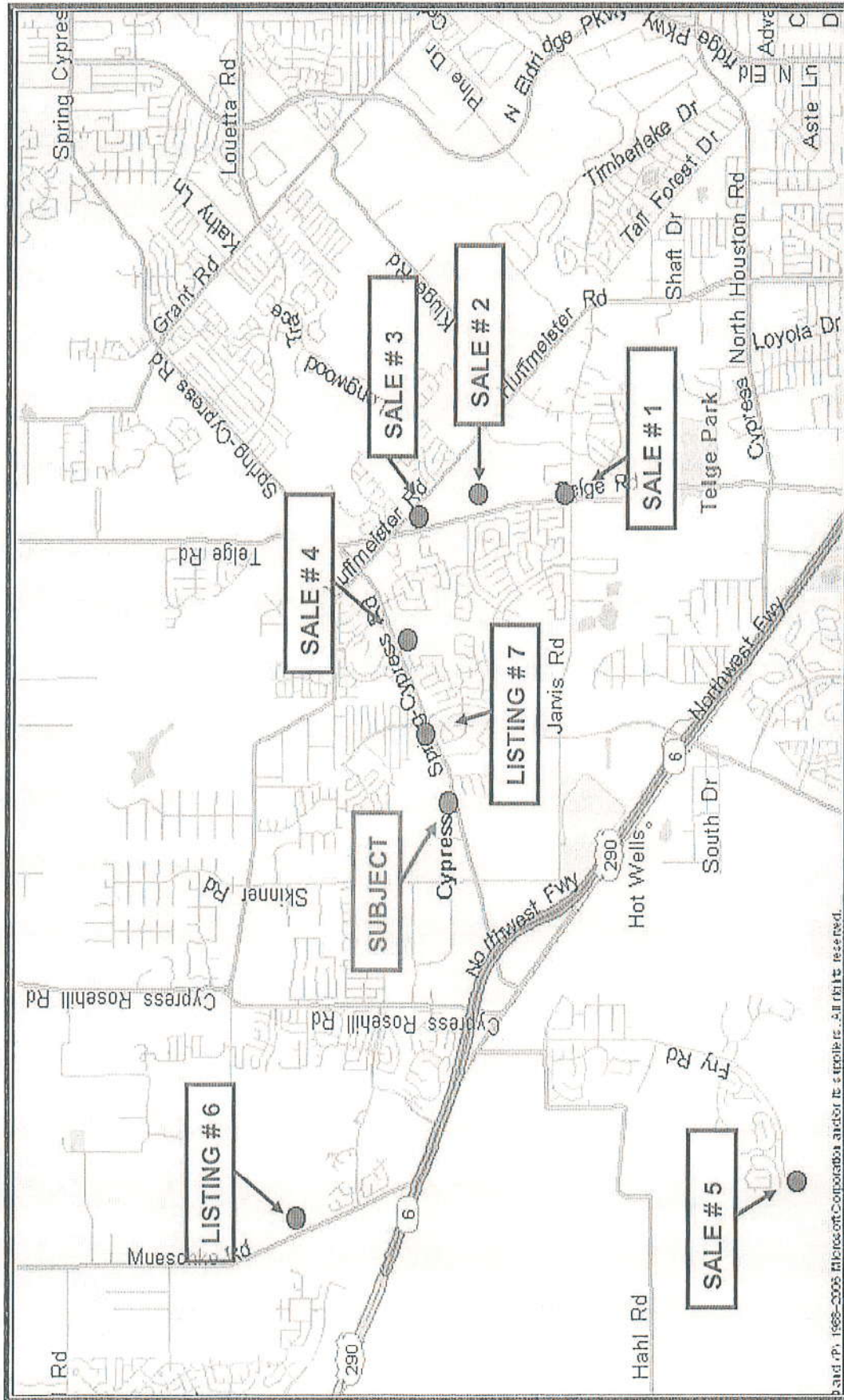
The Income Capitalization Approach is based on measuring the present value of future benefits of an ownership. Income streams and reversionary values are capitalized/delayed into a lump-sum value.

The purpose of this appraisal is to estimate the market value of the part taken which, in this instance, represents the client's whole property. In order to complete the assignment, market data was gathered on the subject property and on properties of similar highest and best use characteristics. This data and certain market transactions were confirmed by examination of public records and/or by confirmation with the principals or agents involved. Given that the subject property contains effectively vacant land, only the Sales Comparison Approach was utilized.

VALUATION OF THE WHOLE PROPERTY – BEFORE THE TAKING

MARKET DATA SUMMARY

| Sale No. | Date | Grantor/ Grantee | Location | Size | Price/SF | Comments |
|----------|----------|--|---|---------|----------|---|
| 1 | 09/14/07 | Jarvis Telge Joint Venture / Landmark Industries | NEC of Telge Road and Jarvis Road | 3.414 | \$9.41 | This property is proposed to be developed with a McDonalds and gas station/convenience store, likely branded Shell. The property has access to public water, but does not have access to wastewater. As of the date of sale, the buyers were unable to obtain wastewater extensions from the neighboring Coles Crossing development. The planned development will likely utilize an on-site septic system. Confirmed with a representative of the Grantor. Document # 20070571832 |
| 2 | 08/06/07 | Gary W. Szymanski / Uniperk, Inc. | ES of Telge Road, just south of Coles Crossing | 4.210 | \$4.36 | This property was purchased for investment purposes. The property has no water or wastewater. At the time of sale, the property was improved with a 1,888 SF single family residence and a 4,200 SF metal storage building. The sale price was based on land value and the improvements were considered to be of no contributory value. The property is located along the north line of a recently constructed flood channel. Sale confirmed by a representative of the Grantor. Document # 20070490091 |
| 3 | 05/31/07 | Equicap Telge, LP / Telge Partners, LP | NS of Telge Road and west side of future Huffmeister Road extension | 12.000 | \$5.00 | This site was purchased for development with an apartment complex. This site is irregular in shape and relatively level. Huffmeister Road will be extended along the southern property line and will intersect with Telge Road. This property represents the interior portion of an 18 acre parent tract. The remaining retail pad sites, out of the parent tract, are being marketed from \$17.00 to \$20.00 per square foot. All utilities are available. Sale confirmed by a representative of the Grantee. Document # 20070330942 |
| 4 | 04/09/07 | Lanelle Schilling Hardilek, et al / Hearthstone Multi- Asset Entity D, L.P. | SS of Spring Cypress Road, between Huffmeister Road and Barker Cypress Road | 47.014 | \$1.95 | This site is currently being developed by Beazer Homes with the Park at Arbordale subdivision. This site is somewhat irregular in shape, relatively level and deep. At the time of sale the property was improved with three single-family residences and various supporting site improvements. The sale price was based on land value and the improvements were considered to be of no contributory value. No portion of the property appears to be located within a floodplain zone. At the time of sale, it was reported that the Coles Crossing MUD did not have sufficient capacity to serve the property. Although the property is currently being developed with a subdivision, inferring utility capacity, the sale was based on the assumption that utilities were not readily available. Sale confirmed by Grantor. Document #20070215541 |
| 5 | 12/04/06 | Mischer Investments / Metropolitan Baptist Church | ES of Fry Road, just southwest of North Bridgeland Lakes Parkway | 100.000 | \$1.49 | This site was purchased for development of the Metropolitan Baptist Church at Bridgeland campus. This site is more or less rectangular in shape and relatively level. All utilities are available with extensions. No portion of the property appears to be located within a floodplain zone. The site is encumbered by a pipeline right-of-way easement granted to Humble Pipe Line, a 30' right-of-way easement granted to Cameron Iron Works, a 66' pipeline easement granted to Trunkline Gas, and an oil and gas drill site. The property was not on the market at the time of sale. The buyer approached the seller directly. Sale confirmed by a representative of the Grantee. Document #20060239118 |
| 6 | Listing | | ES of Mueshke Road, north of Highway 290 | 22.110 | \$3.00 | This property contains approximately 850 feet of frontage along Mueshke Road, is rectangular in shape and is relatively level. |
| 7 | Listing | | NS of Spring Cypress Road, just west of Barker Cypress | 7.350 | \$3.75 | This property contains approximately 264 feet of frontage along Spring Cypress Road, is more or less rectangular in shape, relatively level, and has a poor frontage-to-depth ratio. |



LAND SALES MAP

LAND SALES ANALYSIS – Before the Taking

The dates of the land sale transactions range from December 2006 to September 2007. The per square foot sale prices range from \$1.49 to \$9.41. Listing Nos. 7 and 8 were included for informational purposes only, and were not relied upon in forming our value.

Considering all relevant market factors, including real property rights conveyed, financing terms, conditions of sale, market conditions (time), physical characteristics, zoning/land use controls, size, and location, it is our opinion that the subject land has a market value, as of January 30, 2008, of \$3.50 per square foot, or \$4,984,563 shown as follows:

1,424,161 Square Feet (32.6942 Acres) x \$3.50 per Square Foot: = \$4,984,563

Say: \$4,985,000 (rd.)

FOUR MILLION NINE HUNDRED EIGHTY FIVE THOUSAND DOLLARS

Summary Analysis

| <u>Reconciliation</u> | | | |
|-----------------------|----------|-----------------------|---|
| Sale No. | Price/SF | Overall Comparability | Adjustment Comments |
| One (1) | \$9.41 | Superior | Superior due to size and lack of floodplain. |
| Three (3) | \$5.00 | Superior | Superior due to size and utilities. Slightly superior due to location. |
| Two (2) | \$4.36 | Superior | Superior due to size. |
| <i>SUBJECT</i> | | | |
| Four (4) | \$1.95 | Inferior | Inferior due to location (less proximity to retail node), size and time. |
| Five (5) | \$1.49 | Inferior | Inferior due to location (less densely developed area), size, easement/encroachments (encumbered by two pipeline easements, a 30' right-of-way easement, and an oil and gas drill site) and time. |
| Estimated Value/SF | \$3.50 | | |

CORRELATION OF VALUE ESTIMATES – BEFORE THE TAKING

The value of the subject property, before the taking, was estimated by use of the Sales Comparison Approach (land value).

Therefore, as of January 30, 2008, the market value of the subject property, before the taking, in our opinion, is **\$4,985,000**.

FOUR MILLION NINE HUNDRED EIGHTY FIVE THOUSAND DOLLARS

DESCRIPTION OF AND VALUATION OF THE PART TAKEN

The part taken consists of two contiguous tracts acquired in easement for detention pond purposes. Tract 1 DP is located in the northeast portion of the subject whole property and contains 6.641 acres (289,287 SF). Tract 32 DP is located in the southeast portion of the subject whole property and contains 5.182 acres (225,726 SF). There are no improvements located within the part taken.

The value of the part taken is the same per square foot value as the whole property, or \$3.50 per square foot. It is our opinion that the easement value of the part taken encumbers approximately 99% of the underlying fee value. Therefore, the total value of the part taken is as follows:

| PART TAKEN | | | | | |
|-------------------------------------|--------------------------|---|-----------|---|-------------------|
| Tract 1 DP | 289,287 SF (6.641 Acres) | X | \$3.50/SF | X | 99% = \$1,002,379 |
| Tract 32 DP | 225,726 SF (5.182 Acres) | X | \$3.50/SF | X | 99% = \$782,141 |
| Total Estimated Value of Part Taken | | | | | \$1,784,520 |

VALUATION OF THE REMAINDER - BEFORE THE TAKING

The remainder before the taking is mathematically calculated as the market value of the whole property before the taking less the market value of the taking. The chart below illustrates this calculation:

| REMAINDER BEFORE THE TAKING | |
|--|--------------------|
| Market Value of Whole Property Before the Taking | \$4,984,563 |
| Less: Market Value of Part Taken | <u>\$1,784,520</u> |
| Total Estimated Value of Remainder Before the Taking | \$3,200,043 |

DESCRIPTION AND VALUATION OF THE REMAINDER AFTER THE TAKING

The remainder after the taking consists of approximately 20.8712 acres, or 909,148 square feet, of land area and two contiguous easements for detention pond purposes. As previously discussed, it is our opinion that the easement value of the part taken encumbers approximately 99% of the underlying fee value. Therefore, it is our opinion that the owner will retain approximately 1% of the underlying fee value of the easement areas. The remainder after the taking is similar to the whole property before the taking and is not considered to suffer from damages as a result of the taking.

The value of the remainder after the taking is the same per square foot value as the whole property, or \$3.50 per square foot. It is our opinion that the owner will retain approximately 1% of the underlying fee value of the easement areas. Therefore, the total value of the remainder after the taking is as follows:

| REMAINDER AFTER THE TAKING | | | | | |
|--|----------------------------|-------------|------|---|--------------------|
| Remainder | 909,148 SF (20.8712 acres) | X \$3.50/SF | | = | \$3,182,018 |
| Tract 1 DP | 289,287 SF (6.641 Acres) | X \$3.50/SF | X 1% | = | \$10,125 |
| Tract 32 DP | 225,726 SF (5.182 Acres) | X \$3.50/SF | X 1% | = | \$7,900 |
| Total Estimated Value of Remainder After the Taking | | | | | \$3,200,043 |

VALUE CONCLUSIONS

| | | |
|--|-------------|-------------|
| Value of the Whole Property: | \$4,984,563 | |
| Value of the Part Taken: | | \$1,784,520 |
| Value of the Remainder Property Before the Taking: | \$3,200,043 | |
| Value of the Remainder Property After the Taking: | \$3,200,043 | |
| Damages: | | \$0 |
| Total Compensation Due the Owner: | | \$1,784,520 |

CONTINGENT AND LIMITING CONDITIONS

The certification of the appraisers appearing in this appraisal report is subject to the following and to such other specific conditions as are set forth by the appraisers in the report.

1. The appraisers assume no responsibility for matters of a legal nature affecting the property appraised or the title thereto, nor do the appraisers render any opinion as to the title, which is assumed to be marketable. The property is appraised as though under responsible ownership.
2. Any sketch in this report may show approximate dimensions and is included to assist the reader in visualizing the property. The appraisers have made no survey of the property.
3. The appraisers are not required to give testimony or appear in court because of having made this appraisal with reference to the property in question unless arrangements have been made therefore
4. The distribution of the total valuation in this report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.
5. The appraisers assume that there are no hidden or unapparent conditions of the property, subsoil, and structures which would render it more or less valuable. The appraisers assume no responsibility for such conditions or for engineering which might be required to discover the factors.
6. Information, estimates, and opinions furnished to the appraisers and contained in this report were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the appraisers can be assumed by the appraisers.

7. Disclosure of the contents of this appraisal is governed by the by-laws and regulations of the professional appraisal organizations with which the appraisers are affiliated.
8. Neither all nor any part of the contents of this report or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organizations, or the firm with which the appraisers are connected) shall be used for any purposes by anyone but the client or his assigns without the previous written consent of the appraisers, nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, or other media without the written consent and approval of the appraisers.
9. On all appraisals involving proposed construction, the appraisal report and value conclusions are contingent upon completion of the proposed improvements in accordance with the plans and specifications.
10. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, chemical or toxic waste, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property, or on or in adjoining properties, which would cause a loss in value to the property being appraised. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

This document is a Limited Summary Appraisal Report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform

Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such, it presents only summary discussions of the data, reasoning, and analysis that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analysis is retained in the appraiser's file.

The effective date of appraisal is January 28, 2008 and the property was first inspected in October 2007 and subsequent dates. The report was completed on January 30, 2008.

The property rights appraised herein are those inherent in fee simple title which are subject only to the limitations of eminent domain, escheat, police power, and taxation.

CERTIFICATE OF VALUE

I certify that, to the best of my knowledge and belief:

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

- As of the date of this report, Wayne B. Baer has completed the requirements of the continuing education program of the Appraisal Institute.

No changes of any item of the appraisal report shall be made by anyone other than the appraisers, and the appraisers shall have no responsibility for any such unauthorized changes.

It is our opinion that, as of January 30, 2008, the just compensation due the property owner is as follows:

\$1,784,520

ONE MILLION SEVEN HUNDRED EIGHTY FOUR THOUSAND FIVE HUNDRED TWENTY DOLLARS



Wayne B. Baer, MAI
TX-1320542-G

WAYNE B. BAER, MAI

Wayne B. Baer is an independent real estate appraiser and consultant with the office of Bolton & Baer, Ltd. being located at **1301 Leeland Street, Suite 300, Houston, Texas 77002**. He has been actively engaged in the real estate profession since 1986 with extensive experience in appraising various types of properties including vacant commercial land, subdivisions, farms, ranches, special purposes properties, environmentally sensitive properties, environmentally contaminated properties, shopping centers, hotel/motels, mixed-use developments, office buildings, industrial properties, apartments, condominiums, and right-of-way for pipelines, utilities, and roadway improvements. Appraisal related experience includes highest and best use studies, marketing analysis, and review of realty portfolios. A partial resume of his qualifications is outlined as follows:

1. MAI Designation - The Appraisal Institute
2. Real Estate Broker State of Texas (#368400-5)
3. B. S. in Real Estate from the University of Houston - Downtown
4. State Certified - General Real Estate Appraiser (TX-1320542-G)
5. Qualified and Testified as an Expert Witness in Special Commissioner's Hearings, Tax Protest Hearings, Arbitration and Mediation Proceedings, and County and State District Court
6. Authored, Co-Authored and/or Presented Papers for CLE International, The Center for American & International Law, and The Houston Business Journal Regarding Eminent Domain Valuation Matters

APPRAISAL ASSOCIATIONS

- Board of Directors – Houston Chapter of the Appraisal Institute (2007, 2008, and 2009).
- Program Committee Chairman – Houston Chapter of the Appraisal Institute (2005, 2006, and 2007)
- Leadership Development & Advisory Council (LDAC) National Representative for Houston Chapter of the Appraisal Institute (2005 & 2007)
- Regional Representative for Houston Chapter of the Appraisal Institute (2005, 2006, 2007)
- Region VIII Nominating Committee – Appraisal Institute (2007)
- Recipient of 2005 "Presidents Award" for the Houston Chapter of the Appraisal Institute
- Recipient of 2006 "Key Person Award" for the Houston Chapter of the Appraisal Institute
- Recipient of 2007 "Board of Directors Award" for the Houston Chapter of the Appraisal Institute

The Appraisal Institute conducts a voluntary program of continuing education for its designated members. Individuals who meet the minimum standards of this program are awarded periodic educational certification. Mr. Baer is certified under this program and is member of the Houston, Texas Chapter of the Appraisal Institute.

ADDENDA



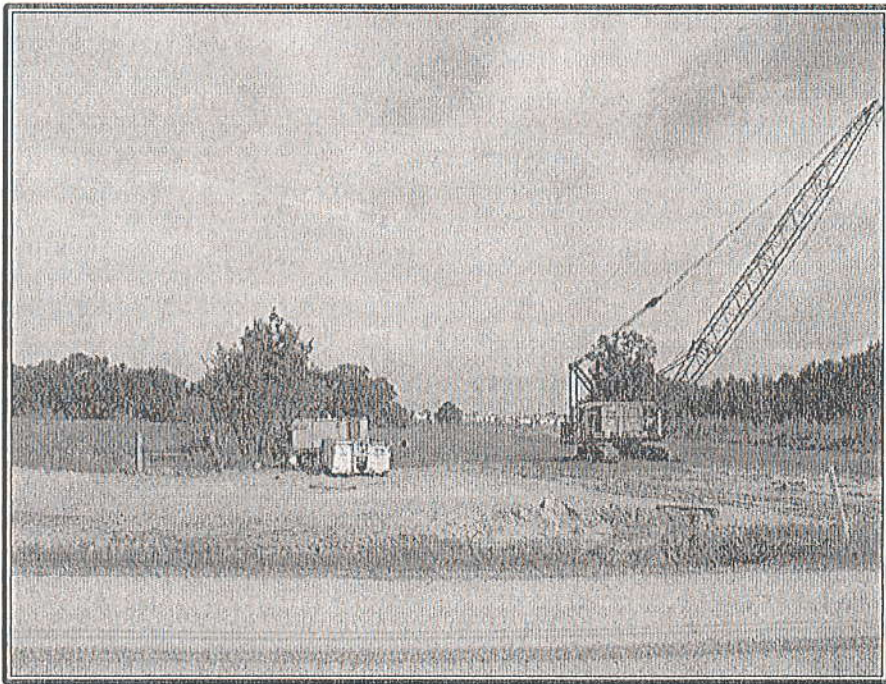
VIEW OF SUBJECT PROPERTY FROM ENTRANCE



VIEW FROM INTERIOR OF SUBJECT TOWARDS SPRING CYPRESS



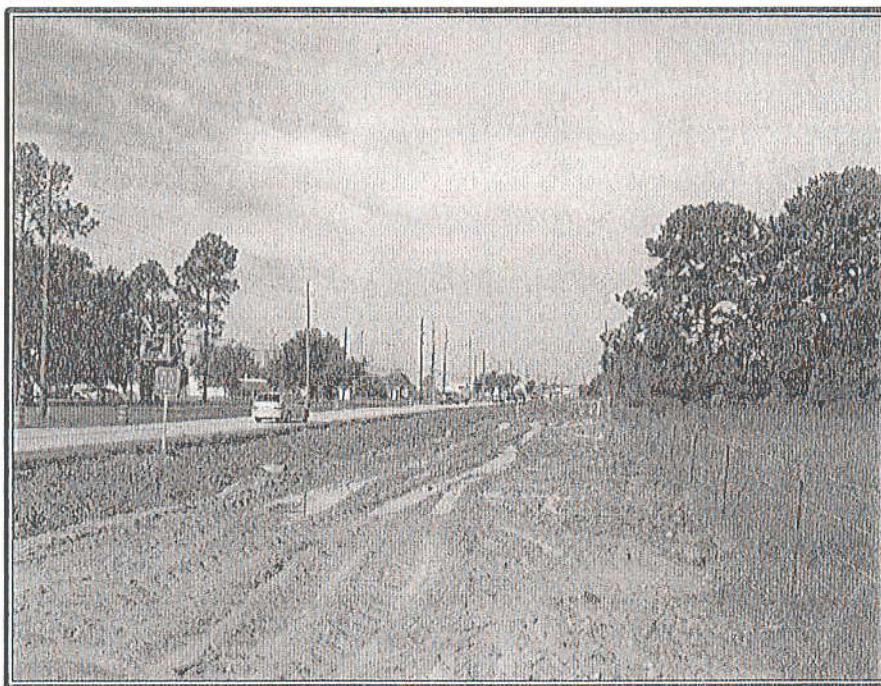
VIEW OF EASTERN PORTION OF SUBJECT PROPERTY



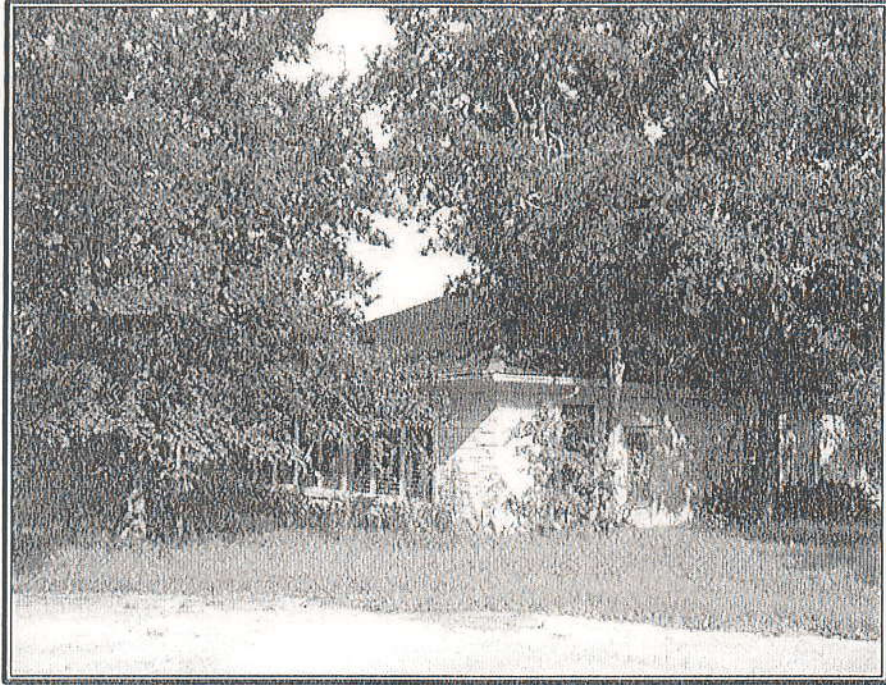
VIEW OF EASTERN PORTION OF SUBJECT PROPERTY



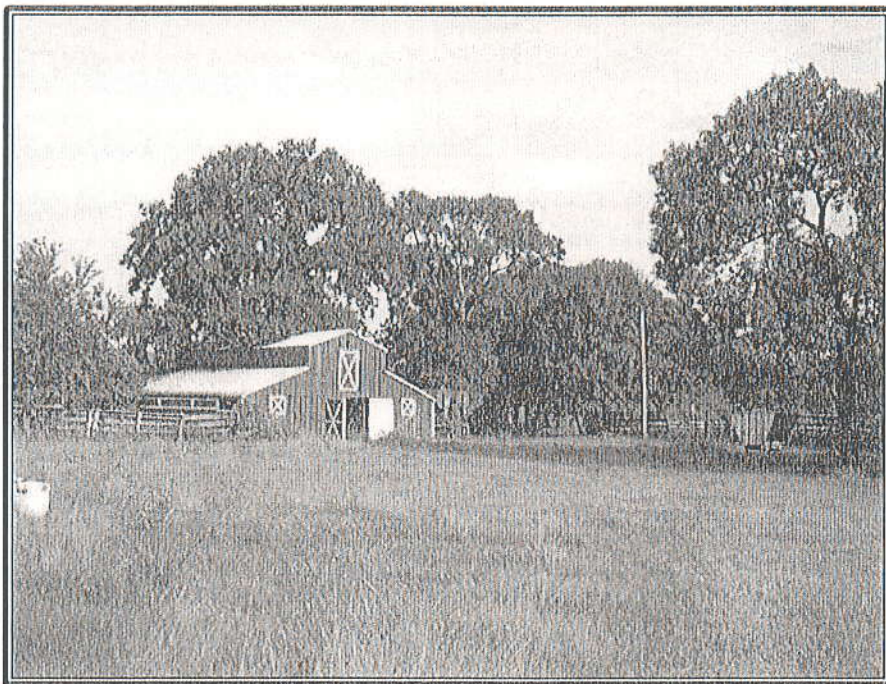
VIEW FROM SUBJECT EAST ALONG SPRING CYPRESS



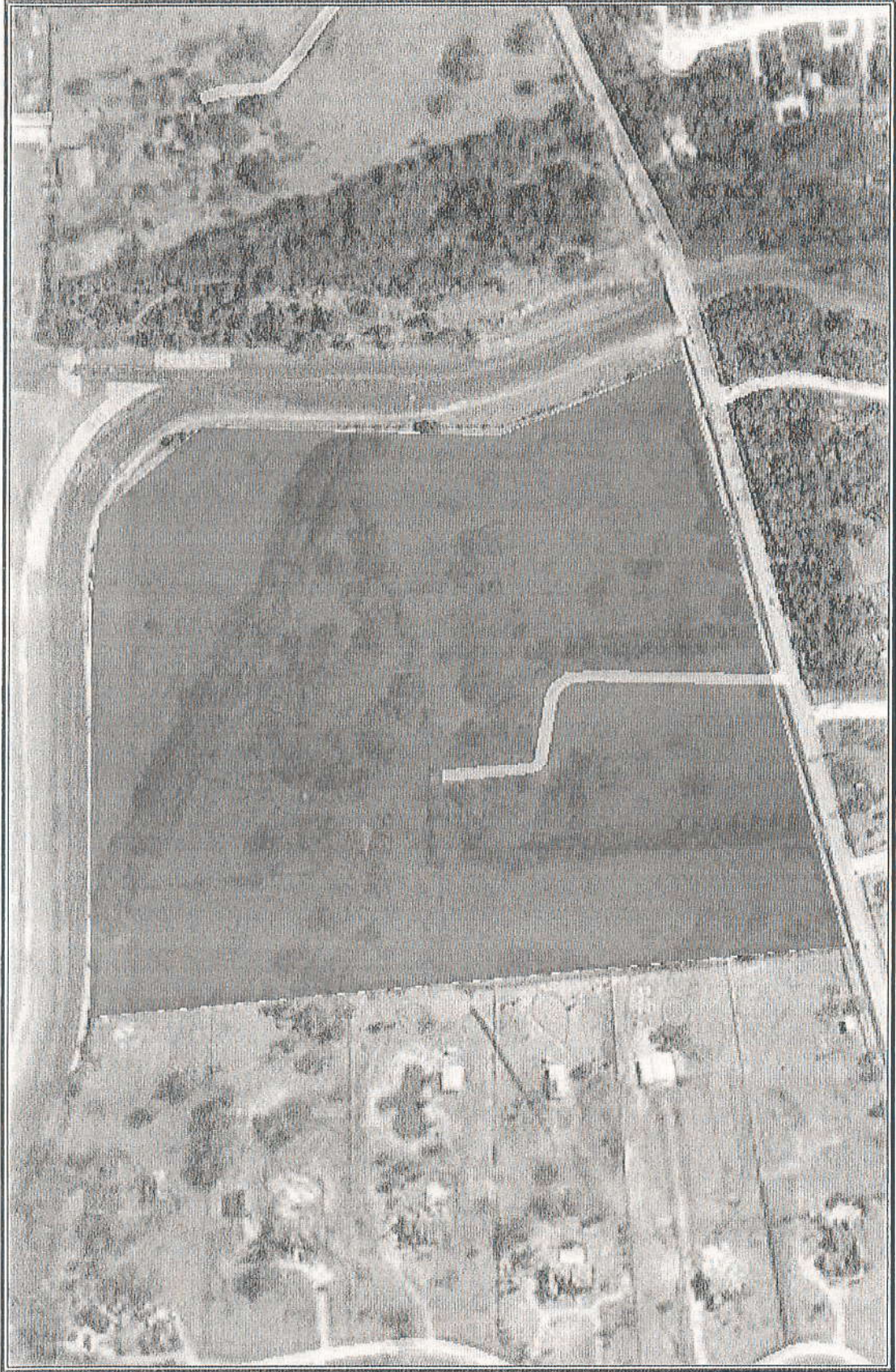
VIEW FROM SUBJECT WEST ALONG SPRING CYPRESS



EXTERIOR VIEW OF RESIDENCE



VIEW OF BARN



SUBJECT AERIAL

