



PAUL HORNSBY & COMPANY

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July 31, 2015

Lakeway MUD
c/o Earl Foster
General Manager
1097 Lohman's Crossing
Lakeway, Texas 78734

Re: Appraisal of an approximate ±82.503 acres tract of vacant land with a street address of 1931 Lohman's Crossing Road, Lakeway, Travis County, Texas

Project Name:	82.5030 Acres in Lakeway
Property Owner:	Lakeway MUD
Property Address:	1931 Lohman's Crossing Road
Appraisal District Parcel:	130736

Dear Mr. Foster:

Pursuant to your request, we have undertaken an appraisal of the above-referenced property, the conclusions of which are set forth in this appraisal report. This report is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP) for an appraisal report. As such, it presents only summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop our opinion of value.

Detailed supporting documentation concerning the data, reasoning, and analyses is retained in our file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. We are not responsible for unauthorized use of this report.

The purpose of the appraisal is to estimate the market value of the fee simple interest in the property. The intended use of this report is to assist the client in establishing a basis for disposition of the subject property. The effective date of this appraisal and opinion of market value is July 16, 2015.

Based on the analysis and data included within this report, it is our opinion that the market value of the subject property is as follows:

MARKET VALUE CONCLUSION			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
As Is	Fee Simple Estate	July 16, 2015	\$9,050,000

Compiled by Paul Hornsby and Co.

This letter of transmittal and the pages which follow constitute our report setting forth the data and analyses utilized in formulating the value opinions. We appreciate the opportunity to be of service to you. Should you have any questions, or if we can be of further assistance, please contact our office.

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have performed services as an appraiser, regarding an 18.92 acre portion of the property that is the subject of this report, within the three-year period immediately preceding acceptance of this assignment.
- We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- We have made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the persons signing this certification.
- As of the date of this report, Paul Hornsby has completed the continuing education program for Designated Members of the Appraisal Institute.

PAUL HORNSBY & COMPANY,

Paul Hornsby, MAI, SRA
Texas Certified Appraiser No. 1321761-G



Joseph McAweeney
Texas Certified Appraiser No. 1338430-G



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ORDINARY ASSUMPTIONS

1. It is assumed that there are no easements or encroachments as of the effective date of this appraisal unless noted within the report.
2. It is assumed that there are no hidden or unapparent conditions of the property, sub-soils, or structures which would render them more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover such factors.
3. It is assumed that all necessary permits have been obtained and that there has been full compliance with all applicable federal, state, and local environmental regulations and laws unless non-compliance is stated, defined, and considered in the appraisal report.
4. It is assumed that all applicable zoning and use regulations and restrictions are complied with, unless a nonconformity has been stated, defined, and considered in the appraisal report.
5. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed. I have no knowledge of the existence of such materials on or in the property, and am not qualified to detect such substances. The presence of substances such as asbestos, radon gas, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value estimates are predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
6. It is assumed that the property is free of any environmental issues, including endangered species or their habitat (i.e., caves) which might preclude development or otherwise affect the value of the property. No responsibility is assumed regarding the presence or absence of such features and the client is urged to retain an expert in these fields, if desired, as the appraiser is not qualified to discover such conditions.

LIMITING CONDITIONS

1. The legal description furnished our firm is assumed to be correct. We assume no responsibility for matters legal in character, nor render any opinion as to the title, which is assumed to be good. The property has been appraised as if under responsible ownership and competent management.
2. We have made no survey and assume no responsibility in connection with such matters therefore, reference to a sketch, plat, diagram, or survey appearing in the report is only for the purpose of assisting the reader to visualize the property. The firm believes that the information contained in this report, although obtained from public record and other reliable sources and, where possible, carefully checked, is reliable, but assumes no responsibility for its accuracy.
3. The construction and condition of the property mentioned in the body of this report are based on observation and no engineering study has been made which could discover any possible latent defects. No certification as to any of the physical aspects could be given unless a proper engineering study is made.
4. We are not required to give testimony or attendance in court by reason of this appraisal with reference to the property in question, unless arrangements have been previously made.
5. Possession of this report or a copy thereof does not carry with it the right of publication. It may not be used for any purpose by anyone other than the addressee without the previous written consent of the appraiser(s).
6. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written consent and approval of the author(s), particularly as to valuation and conclusions, the identity of the appraiser or firm with which they are connected, or any reference to the Appraisal Institute, the SRA, or the MAI designation.
7. The appraisers' liability regarding the statements and conclusions reported herein is limited to the fee charged for the assignment.

DESCRIPTIONS AND ANALYSES

SUBJECT PHOTOGRAPHS



North view of site frontage along Lohman's Crossing Road from southwest corner of west portion opposite the Hills subdivision.

Date of Photo: 7/16/2015



East view of interior property in western portion of site.

Date of Photo: 7/16/2015



Interior of western portion of site.

Date of Photo: 7/16/2015



South view to water tower and Lohman's Crossing Road from the interior southwest corner of tract.

Date of Photo: 7/16/2015



North view from interior road within northern portion of tract.

Date of Photo: 7/16/2015



South view to entrance gate on south portion of tract fronting Lohman's Crossing Road opposite the Travis Community Library

Date of Photo: 7/16/2015



View west along Lohman's Crossing Road with south boundary of tract to right.

Date of Photo: 7/16/2015



East view along Lohman's Crossing Road with subject to left.

Date of Photo: 7/16/2015



Water Tower

Date of Photo: 7/16/2015

SUBJECT IDENTIFICATION

The subject of this appraisal is the parcel of land encompassing ±82.503 acres located on the northeast line of Lohman's Crossing Road less than ¼ mile west of its intersection with RR 620 in Lakeway, Travis County. The street address of the property according to the Travis Central Appraisal District is 1931 Lohman's Crossing Road. There are no contributory site improvements on the parcel.

EFFECTIVE DATE OF VALUE

July 16, 2015

PURPOSE OF THE APPRAISAL

The purpose of the appraisal is to estimate the market value of the fee simple interest.

CLIENT, INTENDED USE AND USERS OF THE APPRAISAL

The client is the Lakeway MUD, which is the sole intended user of the report. Use of this report by others is not intended. This report is intended only to assist the client in establishing a basis for disposition of the subject property. This appraisal report is not intended for any other use.

PROPERTY RIGHTS APPRAISED

The property rights appraised are the fee simple estate. Fee simple estate is an absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.¹

DEFINITION OF MARKET VALUE

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

- a. Buyer and seller are typically motivated;
- b. Both parties are well informed or well advised, and acting in what they consider their 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"²

LEGAL DESCRIPTION

The following legal description was derived from the deed records. It has not been verified by legal counsel nor has an independent survey of the parcel been commissioned. Therefore, it is suggested that the legal description be verified before being used in a legal document or conveyance.

Lot 1, Lakeway Municipal Utility District, E-5 Tank Subdivision, a subdivision in Travis County, Texas, recorded under Document No. 2008000329 of the Official Public Records of Travis County, Texas

A one-acre portion of this tract (water tower) is excluded as part of our subject property for this appraisal.

¹ *The Appraisal of Real Estate, 14th Edition*, (Chicago: Appraisal Institute, 2013) p. 69.

² *The Appraisal of Real Estate, 14th Edition*; (Chicago: Appraisal Institute, 2013)

OWNER OF RECORD AND HISTORY/CURRENT LISTING OF THE PROPERTY

According to the Travis Central Appraisal District, ownership of the subject property is vested in Lakeway MUD, which purchased the property from Sunbelt Savings, FSB via deed dated January 18, 1991 as recorded in Volume 11367, Page 1959 of the Official Public Records of Travis County, Texas. To our knowledge, no sales, offers to sell or purchase, or options have occurred in the last three years and it is not currently listed for sale or under contract for sale.

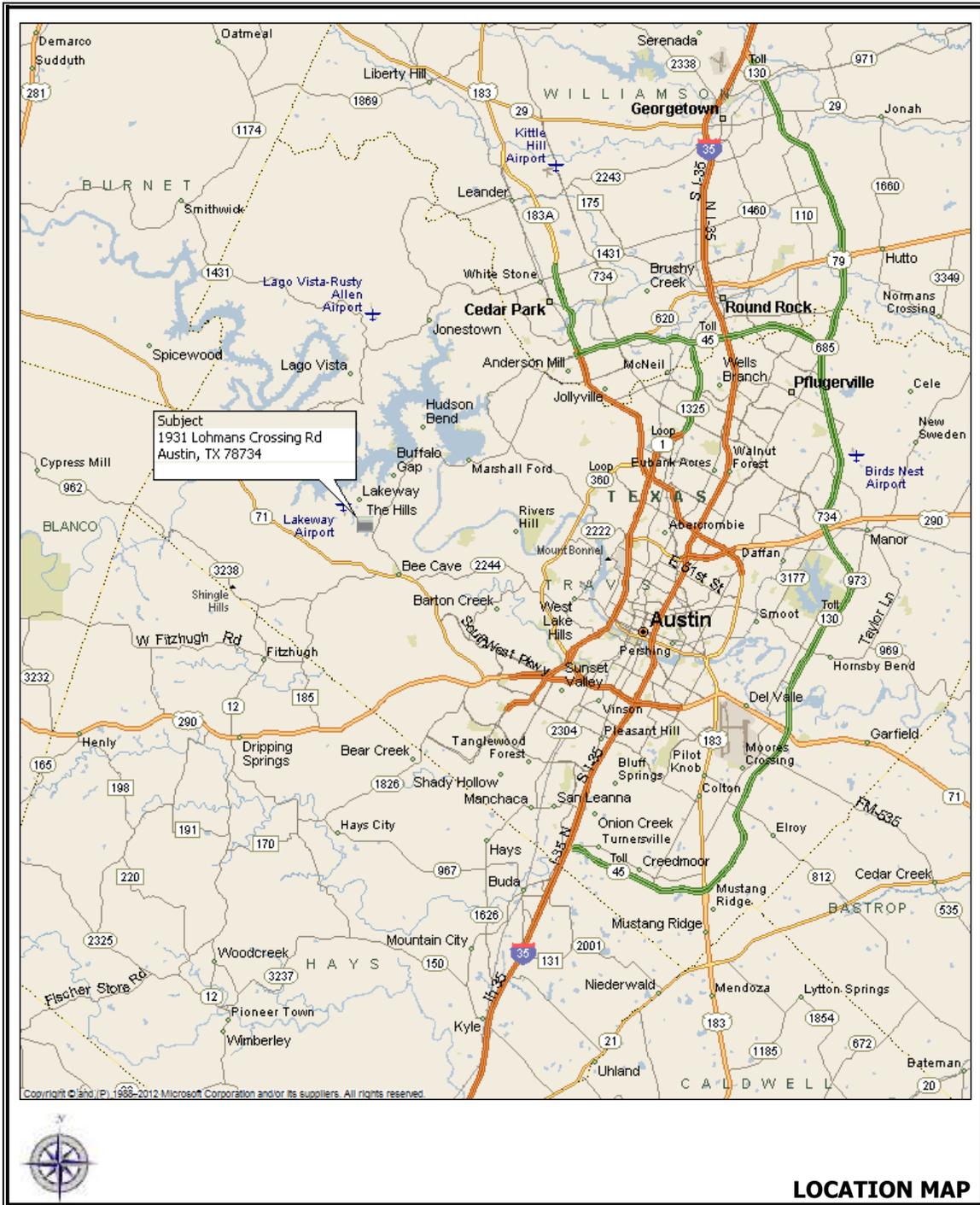
AD VALOREM TAXES

The subject is exempt from all taxing authorities. The 2015 market value assessment by the Travis Central Appraisal District is \$2,568,637, with an improvement value of \$93,547 and land value of \$2,475,090 (\$30,000 /acre; \$0.69/SF).

SCOPE OF WORK

To complete the assignment, a number of steps were undertaken. The most salient of these are listed below.

- The property was inspected on-site by Joseph McAweeney on July 16, 2015. Paul Hornsby subsequently performed an off-site inspection of the property.
- The neighborhood was inspected from numerous roads, and trends in land uses were noted.
- We reviewed documents specific to the subject property including deed records, subdivision plat, zoning map and ordinance, tax plat, and flood plain map.
- A highest and best use analysis was performed to determine the physically possible uses, legally permissible uses, financial feasibility and maximally productive use of the property.
- The three traditional valuation techniques were considered to estimate the value of the subject property. The Sales Comparison Approach was utilized to estimate land value. The Cost Approach was not used as there are no site improvements that are contributory to value. The Income Capitalization Approach was not utilized as the subject would not typically be valued by this approach.
- Sales were confirmed by research of county deed records, conversations with various real estate brokers active in the market, and review of published data from the Multiple Listing Service (MLS), Costar and Loop Net. The time frame for our data search was from January 2011 through the date of this report. The geographic area of research was limited to Western Travis County, more specifically within the city limits of Bee Cave and Lakeway. The sale comparables were inspected from perimeter roadways, and data was confirmed with parties directly involved with the transactions (buyer, seller or brokers) or associates having special knowledge of the transactions.



AUSTIN AREA ANALYSIS



As of first quarter 2015, the Austin MSA continues to show momentum in all property types. Development capital is again available at competitive rates. Locally, the single family and multi-family sectors are experiencing substantial surges in sales and rental activity. In reaction, home builders are in lot-acquisition and development mode as single family construction is abundant, yet unable to meet pent-up demand. The multi-family market has returned to pre-downturn occupancies, rents are rising, and, like the single family market, developers are in site acquisition and development mode. Tracking the strong residential markets, the office sector has returned to a decidedly upward trend, with retail and industrial also showing improvement.

Population

The following tables show employment statistics and changes in the Austin MSA. The employment gains show improvement beginning in 2010, moderating in 2013, and surging again in 2014.

Employment

The following tables show employment statistics and changes in the Austin MSA. While employment in the Austin MSA and Texas have not been affected as much as the national economy, the slow-down is evident in most market sectors.

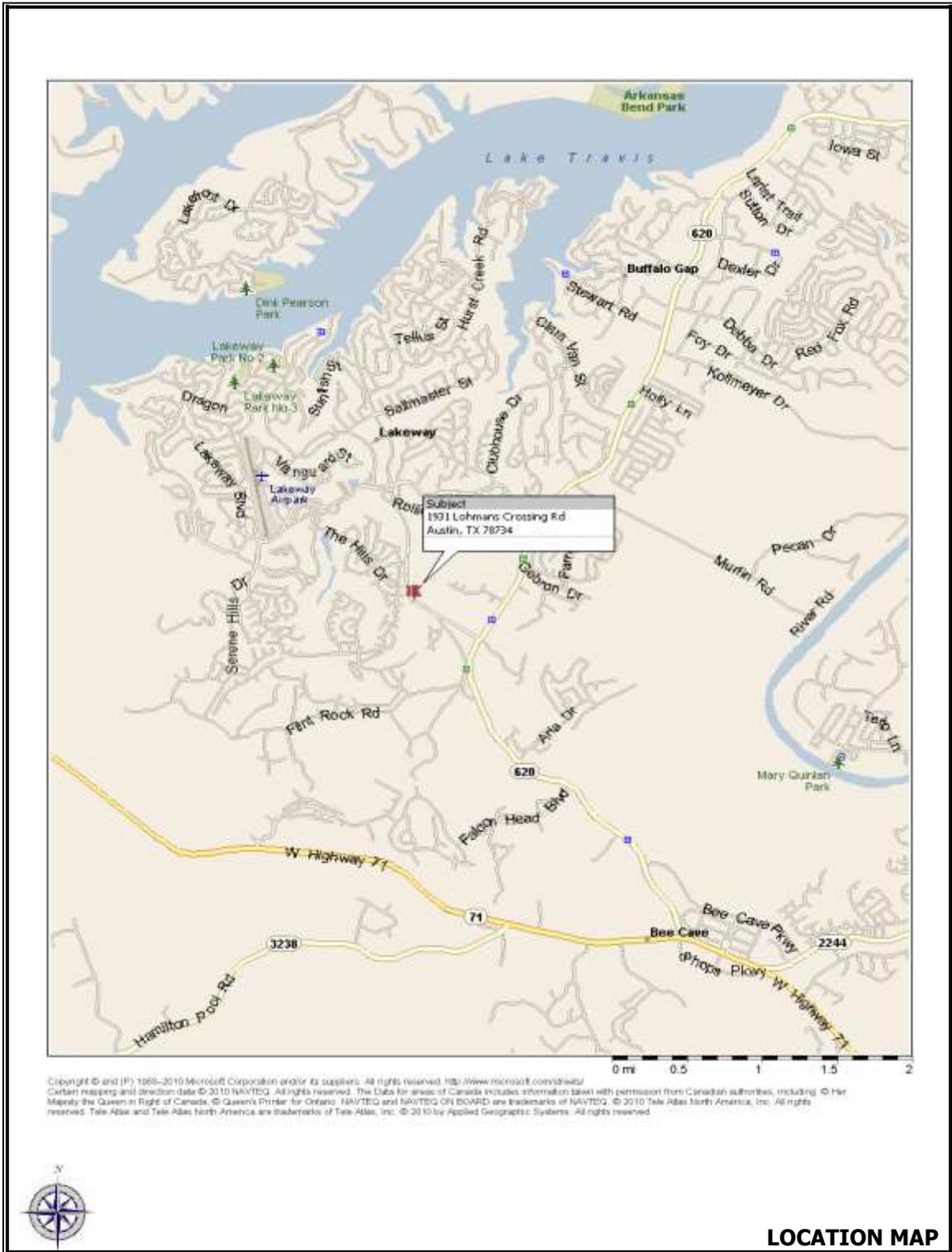
	Changes From Previous Year							
	2007	2008	2009	2010	2011	2012	2013	2014
Total Civilian Employment	1.0%	0.4%	0.3%	1.3%	4.9%	4.7%	5.1%	1.8%
Non-agricultural employment	4.2%	1.6%	-3.1%	1.5%	3.7%	5.4%	5.1%	5.0%

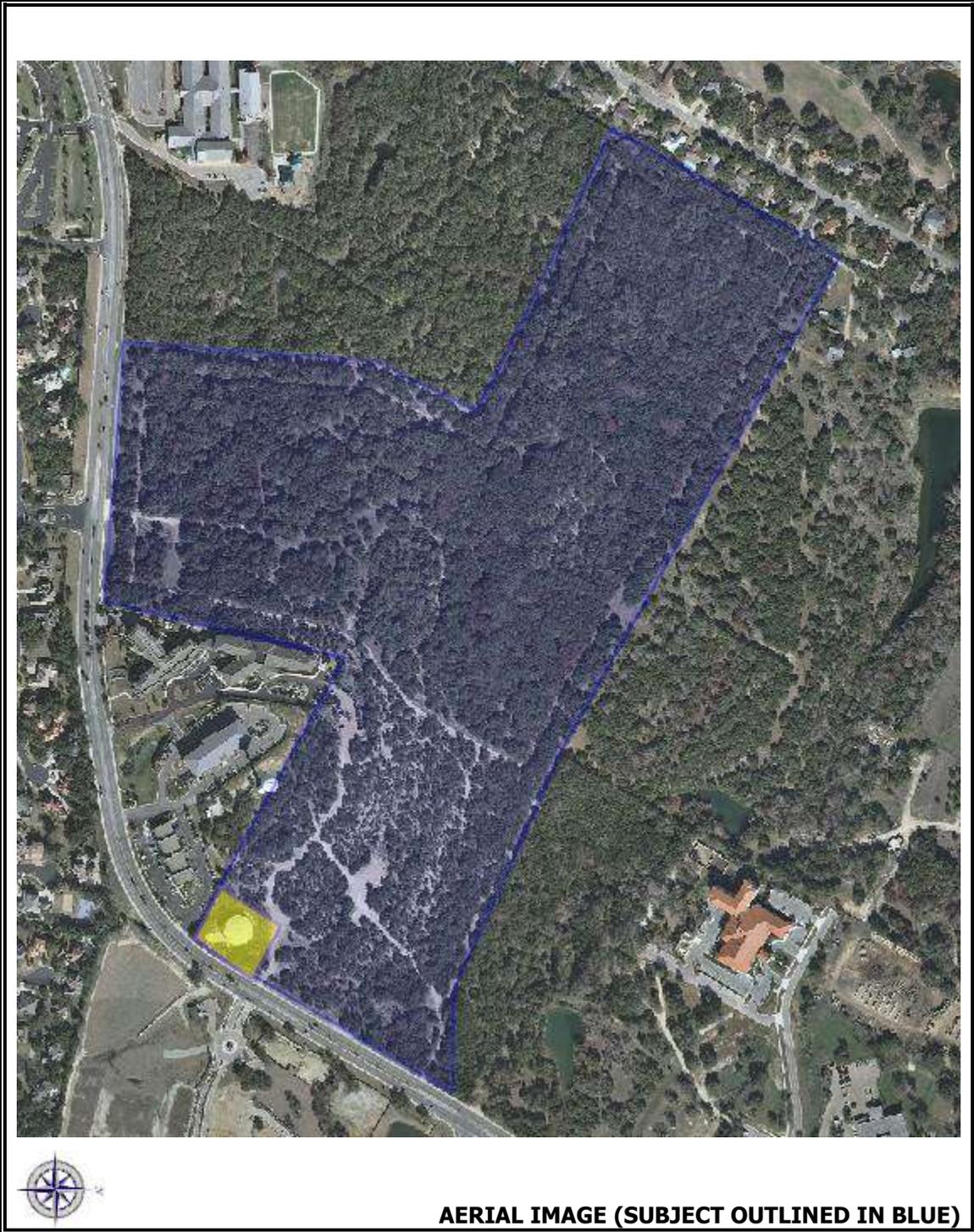
	Year End 2014	1st Q 2014	1st Q 2015	Trailing Year Change	YTD Change	Quarterly Change
Total Civilian Employment	1,016,800	976,200	1,014,500	3.9%	-0.2%	-0.2%
Non-agricultural employment	928,800	885,500	929,700	5.0%	0.1%	0.1%
Unemployment	3.4%	4.4%	3.3%			

Summary

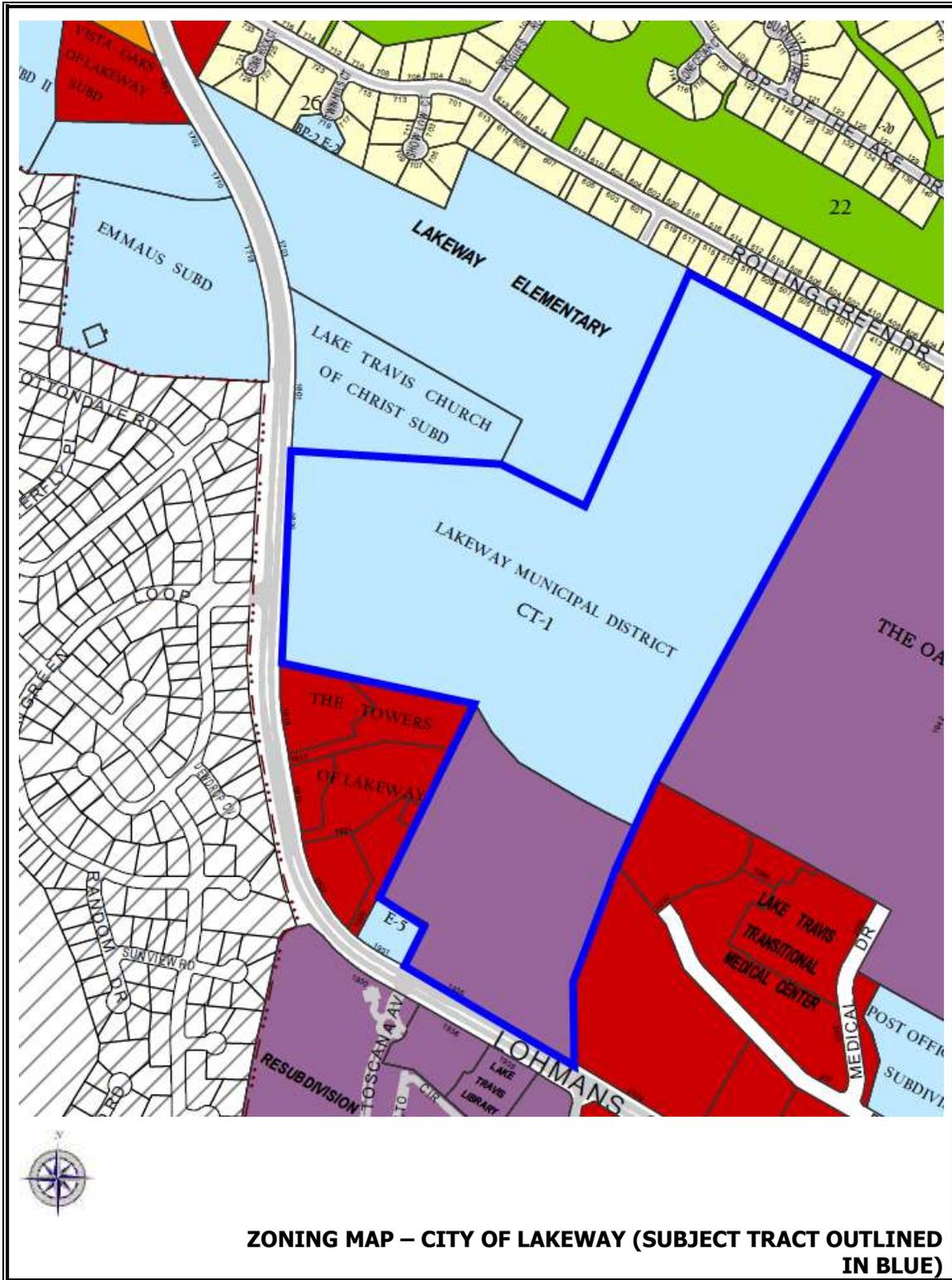
With a trailing year 5.0% non-agricultural employment growth, Austin continues to fare better than most cities in the nation and continues to strengthen after the recession. As in most up-cycles, single and multi-family development have led the recovery, with the office, retail and industrial markets also reflecting improvement.

SITE DESCRIPTION AND ANALYSIS

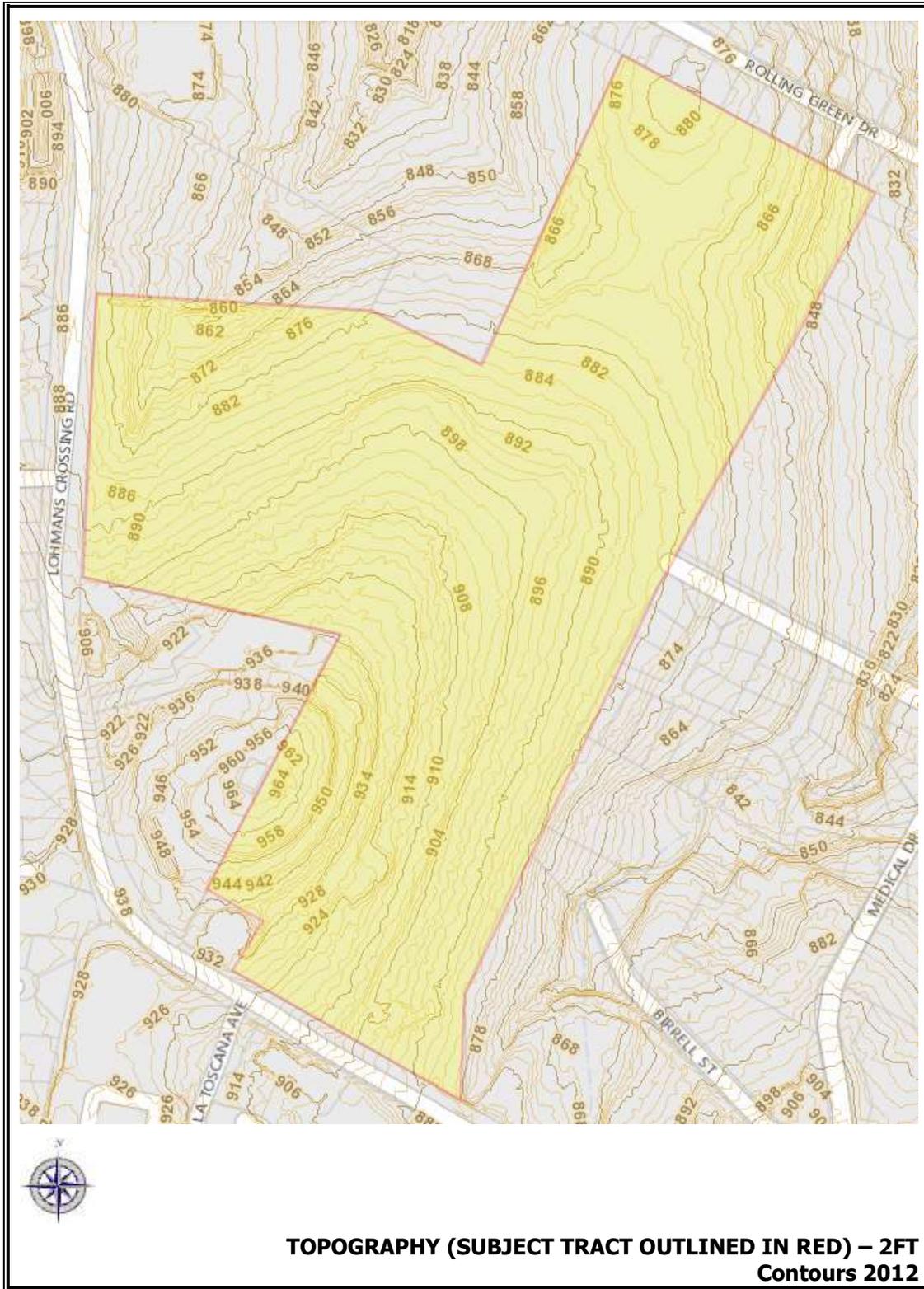




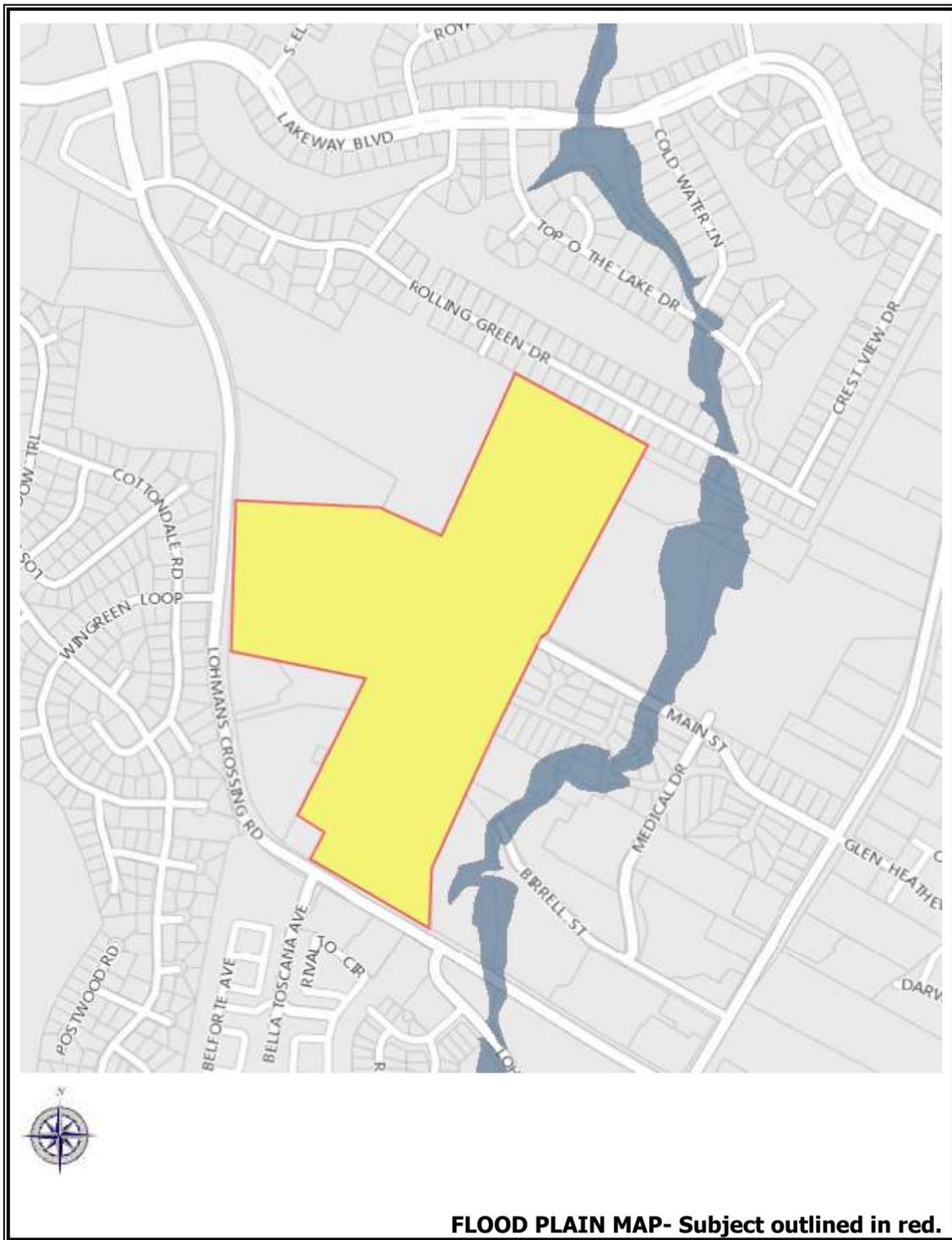
Source: TCAD- Excludes the one -acre around the water tower



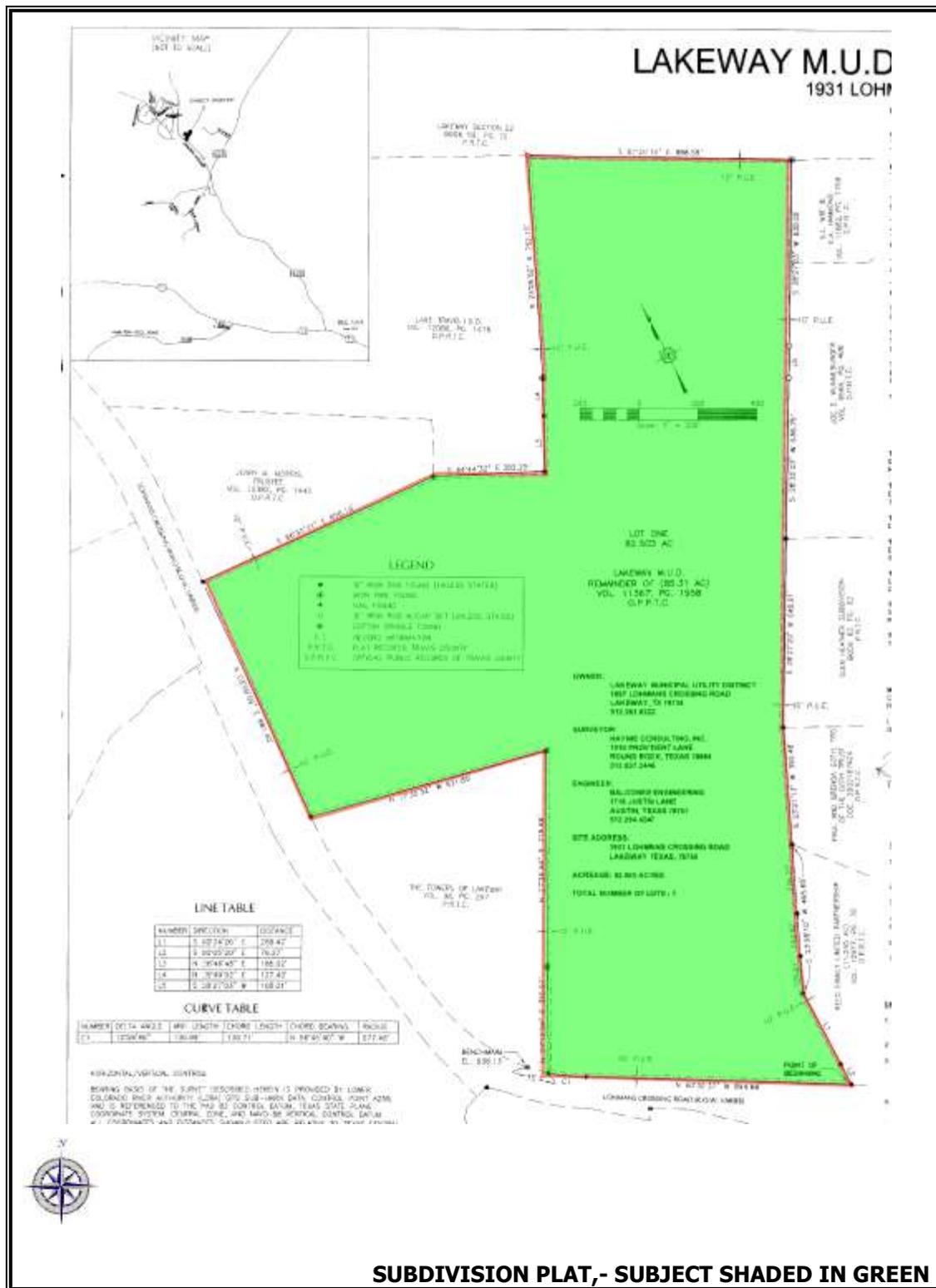
Source: City of Lakeway GIS



Source: Client Data



City of Austin GIS



Location:	1931 Lohman's Crossing Road, Lakeway, Travis County, Texas	
Map Reference:	30° 20'40.90"N 97°58'27.37"W	
Gross Site Area:	±82.503 acres; ±3,593,831 SF	
Shape:	The tract is irregular.	
Frontage and Roadway Design:	±686.41 feet	Lohman's Crossing Road; a two-lane, concrete-paved connector that traverses the vicinity in an east to west direction.
	±881.00 feet	Lohman's Crossing Road; a two-lane, concrete-paved connector that traverses the vicinity in an east to west direction.
Access/Visibility:	The site takes access from Lohman's Crossing Road. There are four gated access points to the site from Lohman's Crossing Road.	
Subsoil Conditions and Drainage:	An engineering study to determine the soil and subsoil conditions was not provided. The soil and subsoil conditions are assumed to be typical of those found in this area. We are not qualified to render an opinion as to the quality of the soils; however, the existence of improvements on neighboring sites indicates that soil conditions in the immediate area are able to support development.	
Topography:	The tract has a grade level change of 130 feet from 964' AMSL along its interior southwest boundary to 834' AMSL in its northeast corner. The tract slopes from southwest to northeast with the lowest point at the northeast corner. The western and northwest portions of the tract exhibit the most uniform topography, whilst the southern and northeast portions exhibit the more undulating topography of the tract. Surrounding improvements to the northwest along Lohman's Crossing Road are constructed above the grade of the road.	
Flood Plain:	According to flood hazard map 48453C0405H published on September 26, 2008 by the Federal Emergency Management Agency (FEMA), the entire site is located in Zone X, which is not a flood hazard area.	
Environmental/Toxic Waste:	We were not provided an environmental site assessment for the subject, and we did not observe during our inspection any evidence of recognized environmental conditions such as hazardous waste and/or toxic materials. We have no knowledge of the existence of any such substances on the property; however, we are not qualified to detect hazardous waste and/or toxic materials. An expert in these fields should be consulted for opinions on these matters. The appraisal is predicated on the assumption that no environmental hazards or special resources exist within or on the subject property.	
	Among other factors, the site may be subject to impervious coverage	

requirements and a geologic assessment may be required. Our analysis is contingent on the absence of any geologic features, such as fractures, caves and sinkholes, which may cause the allowable density of development to be less than otherwise possible with the GUI and PUD zoning designation. Should any features be present, we reserve the right to amend this report.

Utilities:

WCID # 17 serves the majority of the tract, (see graphic) and water would be provided at site lines. According to data from the TCEQ water district map viewer, the current service area for WCID # 17 and Lakeway MUD does not extend into the western portion of the subject tract. (see graphic) However, both have the ability to extend their service area, and if required, can provide future water and wastewater service at sufficient capacity to the western portion of the tract.



WCID # 17 would be able to provide re-use for landscape irrigation through a wholesale agreement they have with Lakeway MUD, on the area that is within their service area. Lakeway MUD would provide re-use for landscape irrigation on the western portion of the subject tract which would reduce water requirements and would satisfy the requirements of LCRA's Highland Lakes Watershed Ordinance.

We spoke with Ms. Debbie Gernes, District Manager with WCID #17 with respect to the district's capability to provide for wastewater for any new development. Ms. Gernes told us that the District was in the planning stages on a new wastewater facility, and that it has an estimated completion date on late 2017. The financing is in place to construct the facility. Ms. Gernes informed us that the district has submitted an application with the TCEQ as their permit had expired as of December 31, 2014. The permit requested a total of 4,000 LUE (Living Unit Equivalents) of which 2,000 LUE is to cover the existing capacity, and 2,000 LUE's is for future capacity. As of the date of writing, approximately 200 LUE's of the future capacity have been sold. The current capacity based on the

existing sold LUE's is 500,000 gallons per day capacity, and with the additional 2,000 LUE's requested from the TCEQ, the capacity will increase to 1,000,000 gallons per day. The following are the costs associated with connecting into the system, i.e. buying an LUE.

Water: \$6,700

Wastewater: \$19,582 or \$12,600 plus \$6,982 subsequent user fee.

The subsequent user fee is set to increase by 9% in 2016 to \$7,610, and by 2019 it will have expired and no longer be charged.

Alternatively, existing developers who have excess capacity are allowed to sell their capacity at the current rate to a new developer wishing to commence building immediately. The unknown is whether an existing developer would be willing to sell their excess capacity.

Political Boundaries:

City of Lakeway, Travis County, State of Texas

Zoning:

GUI Government, Utility and Institutional and PUD – Planned Unit Development. A planned unit development in the City of Lakeway requires at least 20 acres to be approved. The southern 18.929 acres is zoned PUD, and as it currently stands is included in the PUD zoning for the tract across Lohman's Crossing Road. The entire tract would also be suitable for a separate PUD zoning according to Ms. Chessie Zimmerman, the Assistant City Manager at the City of Lakeway. The zoning designation provides for mixed uses, allows a more flexible response to the market, encourages innovative subdivision or site plan design and promotes superior development which is compatible with adjacent land uses.

The GUI zoning is currently applicable to the north and west portions of the tract. This district is intended to provide appropriate areas for uses that provide important community services sometimes requiring large amounts of land. The site should also contain adequate space for required off-street parking and for buffering from residential districts. Permitted uses in this district include the following:

- Church
- Fire Station
- Library,
- School
- Facility owned and operated by the federal government, the state or political subdivisions thereof (water district, municipal utility districts)
- Accessory uses incidental to any of the foregoing permitted uses.

School District

Lake Travis ISD

Land Use Restrictions:

We are unaware of any adverse restrictions. The plat does not list any adverse conditions to development of the subject to its highest and best use. However, appraisers are generally not qualified to perform title searches. We are not aware of any known deed restrictions, either public or private, that would limit the utilization of the subject property; however this statement should not be taken as a guarantee or warranty that no such restrictions exist. Deed and title examination by a

competent attorney is recommended should any questions arise regarding restrictions. We have assumed no adverse deed restrictions exist.

Easements/Encumbrances: No title commitment was provided. The survey does not indicate any adverse easements or restrictions. Normal public utility easements are assumed.

Encroachments: Based on a visual inspection, there do not appear to be any encroachments on the subject site.

Adjacent Properties:

North:	Single family residential
South:	Lake Travis Community Library and Single family residential
West:	Assisted Living Residences/Keller Williams Building and Lohman's Crossing
East:	Small retail development and the Oaks at Lakeway mixed-use development (UC)

Improvements: The TCAD notes reference a 1,822 square foot dwelling that was built in 1965. We did not see that property during our inspection, but noted a structure from the aerial photography. Based on its age and size, we have concluded that it has no contributory value.

HIGHEST AND BEST USE ANALYSIS

In evaluating the highest and best use, numerous factors have been considered.

Physically Possible

The subject's location, accessibility, and physical characteristics were discussed in the *Site Description and Analysis* section of this report. The site is large enough to accommodate a sizeable development (± 82.503 acres). However, as a result of the gradient change, development may need to be terraced to accommodate the slope of the site. The subject is located on the north and along the east side of Lohman's Crossing Road in a neighborhood that has retail, residential, institutional and office uses. Proximity to the recently opened Lakeway Regional Medical Center indicates medical office development as a probable use, along with other commercial and higher density residential uses. In addition, the Oaks at Lakeway development is under construction on the tract of land immediately to the east of the subject at RR 620 and Main Street. This mixed-use development is intended to serve as the town center for the City of Lakeway. It will be anchored by a HEB grocery store, and will have 175,000 square feet of entertainment, dining and shopping space for the residents of Lakeway.

Legally Permissible

The evaluation criteria for legally permissible uses focused on zoning and any encumbrances, restrictions, and/or easements. It is assumed that the subject can be developed with a commercial use. As mentioned, the subject is within the City of Lakeway and is currently zoned GUI—Government, Utility and Institutional, with a small (less than 20 acre) portion zoned PUD. The subject's most probable zoning categories would be a PUD (Planned Unit Development), C-1 (Office/Retail) District or R-7 (Retirement Living) under the zoning of the City of Lakeway. Based on our conversation with Ms. Chessie Zimmerman at the City of Lakeway, it is our opinion that the most probable rezoning category would be PUD, based on the surrounding mixed-use commercial services development.

The most probable physically possible and legally permissible use, subject to the site being rezoned, is for mixed-use commercial services development.

Financially Feasible

The financial feasibility of a specific property is market driven, and it is influenced by economic conditions. Given its location close to the recently opened Lakeway Regional Medical Center, and the ongoing development of the Oaks at Lakeway, a mixed use commercial/retail, medical office development is feasible.

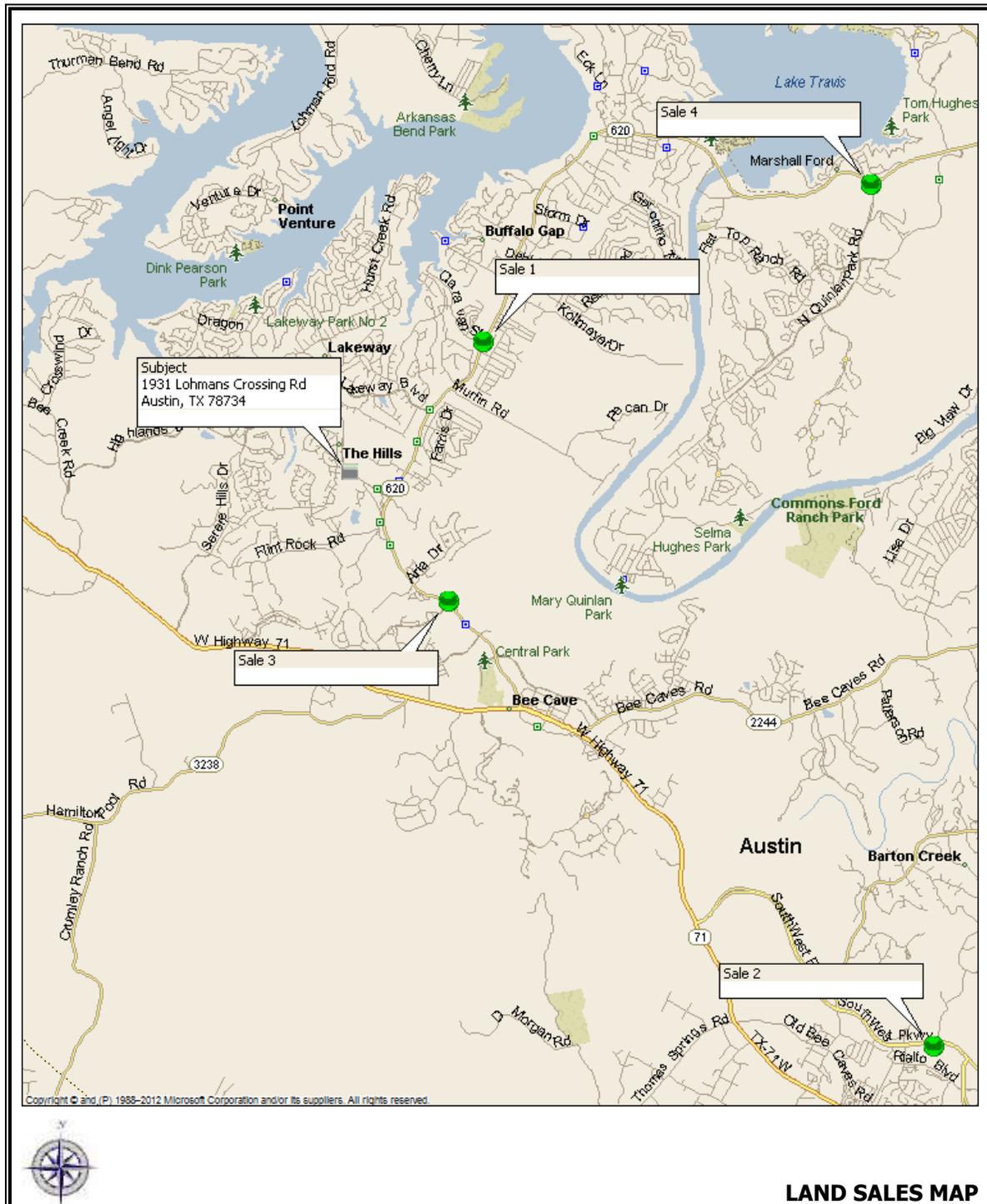
Maximally Productive

The uses reconciled above are equally productive uses of the site and represent its highest and best use.

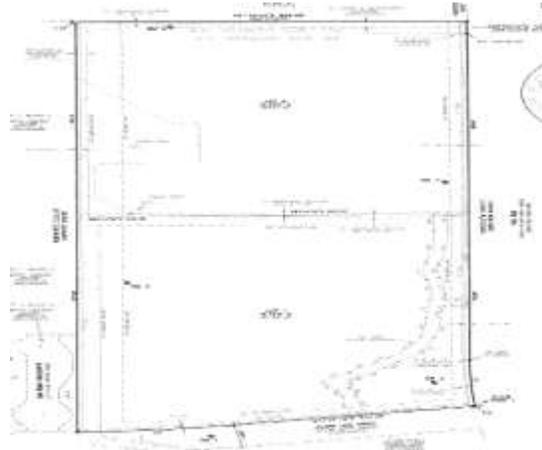
VALUATION OF THE PROPERTY

LAND VALUATION - THE SALES COMPARISON APPROACH

Through this approach the subject's value can be estimated by directly analyzing the physical characteristics and economic forces of sales of similar properties. This process tends to form a pattern of indicators from which the value of the subject property can be estimated. Our unit of comparison is the price per square foot of land.



Land Sale No. 1



Property Identification

Record ID 2693
Property Type Land, Commercial
Property Name Vacant Land
Address 105 RR 620 N, Lakeway, Travis County, Texas 78734
Location NWC RR 620 North and Clara Van Drive
Tax ID 142458,764622,794623
Map Reference Mapsco 490W
MSA Austin-Round Rock-San Marcos
Market Type Suburban

Sale Data

Grantor Schmidt Tract Partnership
Grantee HR Austin Group Ltd
Sale Date February 19, 2014
Deed Book/Page 2014023600 & 601
Recorded Plat 2014000028
Property Rights Fee Simple
Conditions of Sale Typical
Financing Cash to seller
Verification Bill Ward - McAllister & Associates; 512-422-6189, August 07, 2014; Confirmed by JM
Sale Price \$10,000,000
Cash Equivalent \$10,000,000

Land Data

Zoning C-1, C-1
Topography Sloping down southeast to northwest
Utilities All available to site
Shape Rectangular
Flood Info 5.35 acres in floodplain
Easements Drainage easement of 5.35 acres
Improvements None
Current/Intended Use Development of Lexus car dealership on 20 ac. & retail pad sites on 19 ac

Land Sale No. 1 (Cont.)**Land Size Information**

Gross Land Size	44.380 Acres or 1,933,193 SF
Unusable Land Size	5.350 Acres or 233,046 SF , 12.05%
Useable Land Size	39.030 Acres or 1,700,147 SF , 87.95%
Front Footage	1619 ft RR 620;879 ft Clara Van

Indicators

Sale Price/Gross Acre	\$225,327
Sale Price/Gross SF	\$5.17
Sale Price/Unusable Acre	\$1,869,159
Sale Price/Unusable SF	\$42.91

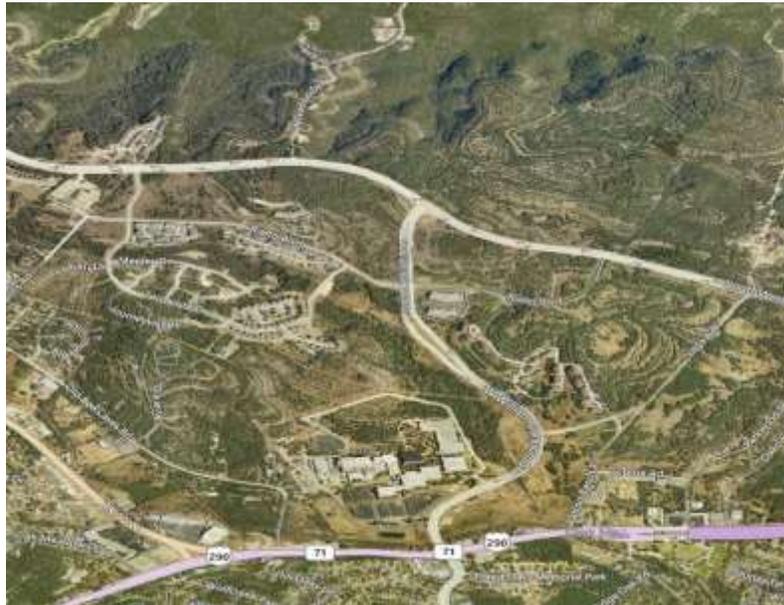
Legal Description

Lot 1, Block A, Lot 2, Block A, and Lot 1, Block B of the Lexus of Lakeway Subdivision, a Subdivision in Lakeway, Travis County, Texas, according to a map or plat thereof recorded under Document Number 201400028 of the Official Public Records of Travis County, Texas.

Remarks

Large tract with excellent frontage along RR 620. The property comprises two non-contiguous tracts of 5.35 acres and 39.03 acres. The larger 39.03 acres is located on the northwest corner of RR 620 and Clara Van Drive, while the second 5.35 acres is located across Clara Van Drive from the larger tract. The maximum allowable impervious coverage for the entire site was grandfathered at 60%. According to the broker, Bill Ward with McAllister & Associates, and the recorded plat, the City of Lakeway reduced the IC on the 20 acres for the car dealership to 40%. Of the total 44.38 acres, a total of 39.03 will be improved upon, 20 acres for the car dealership with 40% IC and 19 acres of retail/pad sites with 60%. The remaining 5.35 acres is a drainage easement and within the 100-floodplain. Three acres of impervious cover available for use on this area was transferred to the large tract. The average IC is 50%.

Land Sale No. 2



Property Identification

Record ID 2091
Property Type Land, Commercial
Property Name Lantana Office Land
Address 7501 SW Pkwy, Austin, Travis County, Texas 78735
Location Southwest Austin
Tax ID 494808, 494810, 494811, 494812, 531877, 531878, 531877, 531879
Longitude, Latitude W97.87079, N30.25712
MSA Austin-Round Rock-San Marcos
Market Type Suburban

Sale Data

Grantor Stratus Properties Operating Co LP
Grantee Lantana Tract 33 LP
Sale Date August 20, 2012
Deed Book/Page 2012138844
Property Rights Fee Simple
Conditions of Sale Typical
Financing Cash to seller
Verification Stratus Properties; 512-478-5788, August 04, 2012; Other sources: Austin Business Journal, Confirmed by JM
Sale Price \$15,800,000

Land Data

Zoning GR-NP, CS, LO, GO, General Commercial
Topography Relatively level
Utilities All Available
Shape Irregular
Flood Info None

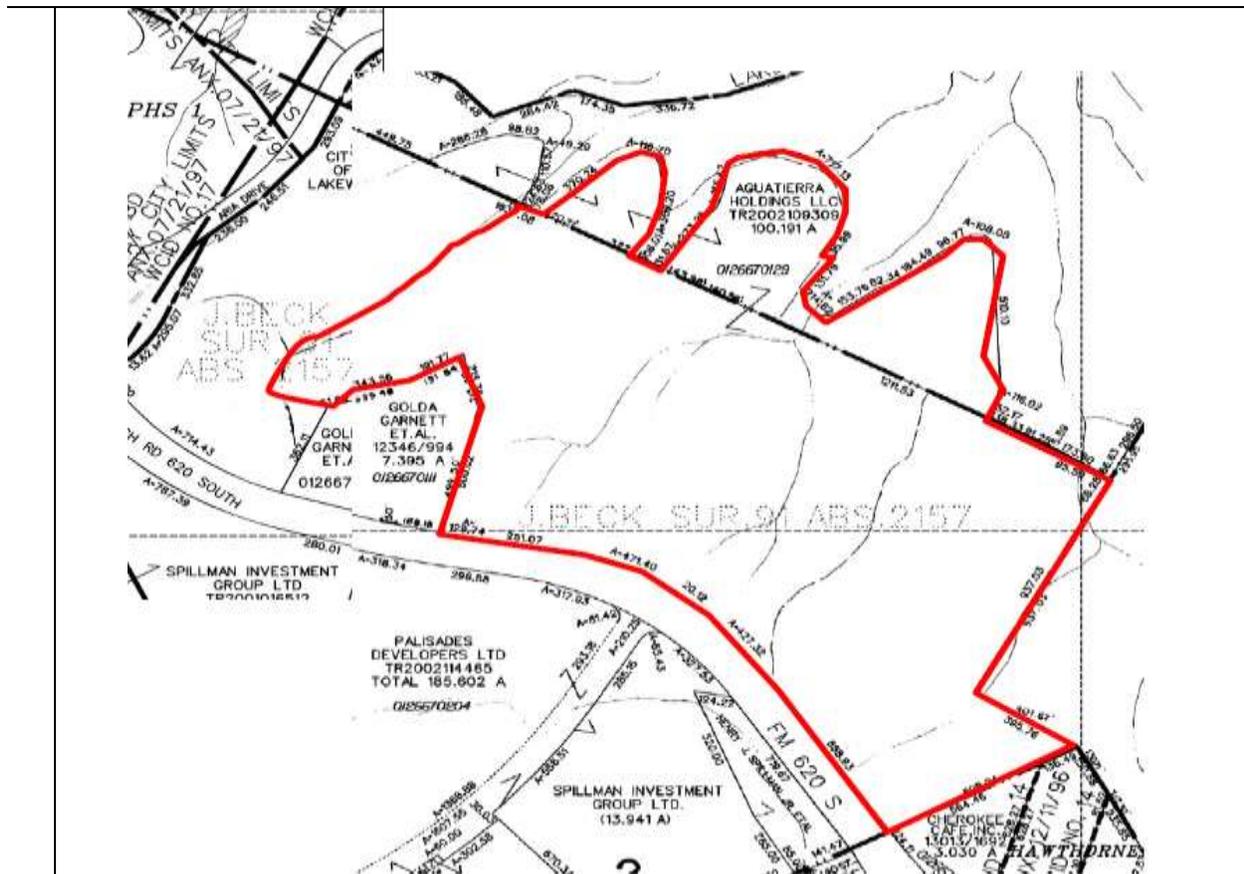
Land Sale 2 (Cont.)**Land Size Information****Gross Land Size** 154.000 Acres or 6,708,240 SF**Indicators****Sale Price/Gross Acre** \$102,597**Sale Price/Gross SF** \$2.36**Legal Description**

Lot 1, Block D, Lantana Phase 1, Section 2; Lot 1, Block A, Lantana Phase 1, Section 2; 7.351 acres, more or less, being a portion of Lot 1, Block B, Lantana phase 1, Section 2; Lot 2, Block D, Lantana Phase 1, Section 2; Lot 6, Block P, Lantana Phase 1, Section 2; 26.705 acres, more or less, situated in the Thomas Anderson Survey No. 17; 46.701 acres, more or less, situated in the Thomas Anderson Survey No. 17; Lots 7, 8, and 9, Block A, Rialto Park at Lantana Subdivision of Travis County, Texas

Remarks

This sale represents an eight parcel sale at the Lantana development on Southwest Parkway in southwest Austin. The tracts have entitlements for approximately 1.13 million square feet of office space. Impervious cover is equal to 57%, or 87.78 acres.

Land Sale No. 3



Property Identification

Record ID 1946
Property Type Land, Multifamily Apartment
Property Name Cielo Hill Country
Address RR 620 at Falconhead , Bee Cave, Travis County, Texas 78738
Location Austin
Tax ID 01266701290000 and 01266701310000
MSA Austin-Round Rock-San Marcos
Market Type Suburban

Sale Data

Grantor Amstar/Southern Cielo LP
Grantee Cielo Residential Partners, LP
Sale Date March 31, 2011
Deed Book/Page 2011046319
Property Rights Fee simple
Financing Cash to seller
Verification Carter Breed- CBRE; 512-796-5830, June 12, 2012; Confirmed by DJE

Sale Price \$7,000,000



Land Sale 3 (Cont.)**Land Data**

Zoning	Village of Bee Cave ETJ
Topography	Sloping
Utilities	All available
Shape	Irregular
Flood Info	No

Land Size Information

Gross Land Size	78.485 Acres or 3,418,807 SF
Useable Land Size	31.390 Acres or 1,367,348 SF , 40.00
Unusable Land Size	47.090 Acres or 2,051,240 SF , 60.00%
Planned Units	400
Front Footage	1799 ft RR 620

Indicators

Sale Price/Gross Acre	\$89,189
Sale Price/Gross SF	\$2.05
Sale Price/Useable Acre	\$223,001
Sale Price/Useable SF	\$5.12
Sale Price/Planned Unit	\$17,500

Legal Description

Tract 1: Lot 1, Block A, Vista Royale Subdivision, Phase One, Final Plat, a subdivision in Travis County, Texas

Tract 2: Being all of that certain tract or parcel of land containing 40.106 acres, more or less, situated in the Joseph Beck Survey No. 91 and the John P. Ballard Survey No. 23 in Travis County, Texas

Remarks

This is a large, rolling tract in the hilly area on the east side of FM 620 near Lakeway, proximate to the Lakeway Regional Medical Center. According to the Village of Bee Cave, impervious cover amounts to 40%, or 31.39 acres.

Land Sale No. 4



Property Identification

Record ID	1141
Property Type	Land, Retail
Property Name	Steiner Ranch MU-1A
Address	5145 N. RM 620, Austin, Travis County, Texas 78732
Location	SWC of RM 620 and Quinlan Park Road
Tax ID	01504002010000, 01504002020000
Map Reference	491-M
MSA	Austin-Round Rock-San Marcos
Market Type	Suburban
<u>Sale Data</u>	
Grantor	Taylor Woodrow Communities
Grantee	Property Development Centers (Randall's Grocery)
Sale Date	January 26, 2011
Deed Book/Page	2011013323
Financing	Cash to seller
Verification	Steve McMillon; 512-346-0025, April 21, 2010; Other sources: Appraiser files, Confirmed by BKG
Sale Price	\$5,700,000

Land Data

Zoning	Austin's 2-mile ETJ, None, 2-mile ETJ
Topography	Gentle to steep slopes; below road grade
Utilities	All available
Shape	Irregular
Flood Info	Not in the flood plain

Land Size Information

Gross Land Size	60.940 Acres or 2,654,546 SF
Useable Land Size	37.150 Acres or 1,618,254 SF , 60.96%
Front Footage	1797 ft FM 620;2228 ft Quinlan Park Rd

Land Sale 4 (Cont.)**Indicators**

Sale Price/Gross Acre	\$93,535
Sale Price/Gross SF	\$2.15
Sale Price/Useable Acre	\$153,432
Sale Price/Useable SF	\$3.52

Legal Description

Steiner Ranch Phase 2, Section 10

Remarks

This tract is within Steiner Ranch, a 4,600 acre mixed-use community. Allowable impervious cover is 15.26 acres. 100' wide LCRA easement (electric and telephone) runs through this property. The proposed use is a Randall's-anchored retail center.

Site is within Steiner Ranch development and was purchased for a Randall's anchored shopping center with 163,027 SF of gross building area. In-line, anchor and pad sits are completed. Site is limited by a conservation easement and 100' LCRA easement. Impervious cover was reported to be 15.26 acres (25%).

Valuation Analysis

The following table summarizes the comparable land sales used to value the subject.

LAND SALES SUMMARY								
No.	Property Location	Transaction Type	Transaction Date	Zoning	Land Size (Acres)	Utilities	Intended Use	Price per SF
1	105 RR 620 North, Lakeway	Sale	2/19/2014	C-1	44.380	All available	Commercial development	\$5.17
2	7501 Southwest Parkway, Austin	Sale	8/20/2012	GR-NP, CS, LO, GO	154.000	All available	Mixed use development	\$2.36
3	RR 620 at Falconhead, Bee Cave	Sale	3/31/2011	Bee Cave ETJ	78.485	All available	Residential	\$2.05
4	5145 RR 620 N	sale	1/26/2011	Austin 2 Mile ETJ	60.940	All available	Mixed-use commercial	\$2.15
Subject	1931 Lohman's Crossing Road	---	---	GUI	81.503	all utilities available, except for sufficient current wastewater capacity	---	---

Compiled by Paul Hornsby and Co.

In analyzing and comparing the market data to the subject, each comparable was adjusted for dissimilar characteristics. Consideration was given to numerous factors. Adjustments were applied as follows:

Property Rights

All transactions involved the fee simple estate and no adjustments are necessary.

Terms of Sale/Financing

The sales gathered for this appraisal reflected cash-to-seller transactions or those where the financing terms were reported to be at market. As such, no adjustments for cash equivalency were necessary.

Conditions of Sale

All sales reflected arm’s length transactions. Therefore, no adjustments for conditions of sale were warranted.

Market Conditions/Time

The transactions occurred between January 2011 and February 2014. Land values in Lakeway and the nearby communities of Bee Cave generally improved until mid-2007. According to area brokers and our analysis of the land sales in this sub-market, appreciation rates were relatively flat from 2008 through early 2012, but have exhibited an upward trend. Accordingly, starting with July 2012, an upward adjustment of 6% per year (0.50% per month) has been applied through the effective date to all sales.

Location/Access

The subject is located in the northwest section of the City of Lakeway, on Lohman’s Crossing Road approximately 0.5 miles west of its intersection with RR 620, the main arterial in the city. All of the sales are situated within western Travis County, with three of the four on RR 620 within eight miles and the fourth sale on Southwest Parkway, 11 miles southeast of the subject.

Sale 1 is located on the northwest corner of RR 620 and Clara Van Drive approximately 2.5 miles north of the subject, almost opposite Lake Travis Elementary School. It has excellent visibility and good access to RR 620; is deemed superior for location and access, and is adjusted downward.

Sale 2 is located along the south line of Southwest Parkway, approximately 11 miles southeast of the subject. It is located in an area that has recently experienced a considerable amount of new commercial and residential development. It is considered slightly inferior for location and access, and received an upward adjustment.

Sale 3 is located along the east side of RR 620 South opposite Falconhead Boulevard in Bee Cave, approximately two miles southeast of the subject, almost opposite the Lake Travis High School, an



equidistant to the Lakeway Regional Medical Center. Its location and access are considered superior to the subject and the sale is adjusted downward.

Sale 4 is located on the southwest corner of RR 620 N and North Quinlan Park Boulevard, approximately eight miles northeast of the subject. It is located close to Steiner Ranch, an area that is superior to the subject for location and access, warranting a downward adjustment.

Size

Typically, there is an inverse relationship between unit price and size, as larger properties generally sell for less per SF than smaller tracts. We adjusted the sales approximately 5% per each doubling in size versus the subject. Sale 1 at 44.38 acres warrants a downward adjustment, and Sale 2 at 154 acres warrants an upward adjustment. Sales 3 and 4, at 78.48 acres and 60.94 acres respectively, are not adjusted for size.

Shape

Typically, a site with a regular shape provides the developer with greater developable area as compared to one that is irregular. The subject's developable area is irregular, and a downward adjustment is applied to Sale 1. Sale 2 and 3 are more irregular than the subject and warrant an upward adjustment for their shape. Sale 4 is deemed similar to the subject and is not adjusted.

Corner

Typically, a site on a corner has more value than an interior lot. The subject is not a corner lot, similar to Sale 3. Sales 1, 2, and 4 are corner lots, and are adjusted downward.

Zoning/Entitlements

The subject is currently zoned for GUI (Government, Utility and Institutional) under the City of Lakeway zoning code. A zoning change to R-7, C-1, or a PUD zoning allowing for a quasi-residential/commercial zoning is reasonably probable. However, time, expense and risk are necessary to achieve such change. Sales 1, 2, 3 and 4 are all zoned for commercial use and are deemed to be superior to the subject, warranting a downward adjustment to each.

Utilities

All of the sales have all utilities available, unlike the subject. The subject has water available at site lines, but does not have any wastewater service or current capacity, as WCID # 17, the provider, is in the process of adding additional capacity; that capacity is expected to be available within two years, and any new development would have to purchase and reserve wastewater LUE's. Reservation of wastewater LUE's is dependent on a new wastewater facility that, according to WCID # 17, is in the planning stages, fully funded and will be on-line within two years. Alternatively, LUE's could be purchased from a private owner with excess capacity. A downward adjustment is warranted and applied to each sale.

Impervious Cover

This adjustment recognizes impacts from easements, flood plain, topography and municipal restrictions. The subject with a commercial use will be allowed approximately 40% or approximately 41 acres of allowable impervious cover (IC). The sales range from a low of 25% for Sale 4 to a high of 57% for Sale 2. Sales 1 and 3 have 50% and 40% IC, respectively. Upward adjustment is applied to Sale 4, and no adjustment is warranted to Sale 3. Downward adjustments are applied to Sales 1 and 2. Adjustments are made at one-half of the difference in impervious cover percentage, recognizing the contribution of open space.

CONCLUSION OF LAND SALES ANALYSIS

The adjustment process is summarized in the following grid.

ADJUSTMENT GRID					
	Subject	1	2	3	4
Transaction Type	---	Sale	Sale	Sale	sale
Transaction Date	---	2/19/2014	8/20/2012 GR-NP, CS, LO,	3/31/2011	1/26/2011
Zoning	C-1 or R-7	C-1	GO	Bee Cave ETJ	Austin 2 Mile ETJ
Actual Sale Price	---	\$10,000,000	\$15,800,000	\$7,000,000	\$5,700,000
Size (acres)	81.503	44.380	154.000	78.485	60.940
Unit Price		\$5.17	\$2.36	\$2.05	\$2.15
Property Rights		0%	0%	0%	0%
Terms of Sale/Financing		0%	0%	0%	0%
Conditions of Sale		0%	0%	0%	0%
Market Conditions/Time		+9%	+18%	+18%	+18%
Adjusted \$/SF		\$5.61	\$2.78	\$2.42	\$2.54
Location/Access		-10%	+10%	-10%	-10%
Size		-5%	+5%	0%	0%
Shape		-10%	+10%	+10%	0%
Corner		-5%	-5%	0%	-5%
Zoning/Entitlements		-5%	-5%	-5%	-5%
Utilities		-5%	-5%	-5%	-5%
Impervious Cover		-5.00%	-8.5%	0%	+7.5%
Net Adjustment		-40.0%	+1.5%	-10.0%	-17.5%
Indicated Unit Value		\$3.37	\$2.82	\$2.18	\$2.10

In estimating the fee simple value of the site via this approach, four sales were considered. These data were analyzed and adjusted, suggesting a value estimate for the subject property between \$2.10 /SF and \$3.37 /SF, with a mean of \$2.62 /SF and median of \$2.50 /SF, respectively.

Giving weight to the central tendency of the sales, we have reconciled a value for the subject of \$2.55 per square foot. The following outlines the estimate of the market value of the fee simple interest in the subject tract of land:

MARKET VALUE CONCLUSION			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
As Is	Fee Simple Estate	July 16, 2015	\$9,050,000

Compiled by Paul Hornsby and Co.



SUMMARY OF CONCLUSIONS

The land value conclusion is summarized in the table below.

MARKET VALUE CONCLUSION			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
As Is	Fee Simple Estate	July 16, 2015	\$9,050,000

Compiled by Paul Hornsby and Co.

QUALIFICATIONS OF THE APPRAISERS

QUALIFICATIONS OF PAUL HORNSBY, MAI, SRA



Experience: Since 1980, Mr. Hornsby has been a practicing real estate appraiser with an office in Austin, Texas, specializing in the valuation of complex commercial properties and in support of litigation proceedings. Mr. Hornsby also serves as an arbitrator in real estate disputes.

Mr. Hornsby often serves in the capacity of expert witness in cases involving eminent domain, bankruptcy, general commercial litigation and ad valorem tax appeal. He is qualified as an appraisal expert in numerous county courts, state district courts, Federal District Court, U.S. Bankruptcy Court, and various commissioners' courts and appraisal district review boards. Mr. Hornsby has given over 300 depositions, testified in over 300 special commissioners hearings and appeared in over 100 jury and bench trials.

In addition to real property appraisal, Mr. Hornsby provides counseling services relating to real estate, tangible personal property, and intangible assets. He is the owner of ph Business Advisors, a business valuation firm specializing in the appraisal of business enterprises, partnership interests, and the allocation of tangible and intangible assets. Land planning services are provided by our sister company, alterra design group (www.alterradesigngroup.com) and brokerage services by Hornsby Realty (www.hornsby-realty.com).

Licenses and Designations:

- MAI Designation - Appraisal Institute, Certificate No. 7305
- SRA Designation - Appraisal Institute
- State Certified General Real Estate Appraiser #TX-1321761-G
- Texas Broker License #283369-05

Associations and Activities:

- Treasurer and Board Member, Foundation Appraisers Coalition of Texas
- Mentor, Texas Appraiser Licensing and Certification Board
- Arbitrator in real estate disputes
- Member, International Right of Way Association
- Affiliate Member, Texas Association of Appraisal Districts
- Instructor, Appraisal Institute – Uniform Standards of Professional Appraisal Practice and Business Practices and Ethics
- Appraisal Qualifications Board (AQB) Certified USPAP Instructor
- REALTOR - National Association of Realtors

Education: University of Texas at Austin, B.B.A. Degree in Finance, August 1977

Lectures and Publications:

- Fee (It Really Is) Simple; Texas Association of Appraisal Districts Conference, 2015
- Separating Tangible & Intangible Asset Values in a Texas Refinery: A Case Study; Appraisal Institute, 2014
- Transmission Lines: Acquisition, Valuation and Condemnation, Austin Chapter of the Appraisal Institute and IRWA Chapter 74, 2012
- Responding to Daubert Challenges, Eminent Domain Conference, CLE® International, 2011
- Equality and Uniformity-Commercial Properties, Appraisal Review Board, Travis Central Appraisal District, May 2009
- Appraisal Values in an Unsettled Economy, Graves Dougherty Hearon & Moody – Banking & Real Estate Clients, October, 2008
- Fee Simple Estate - How Many Sticks in the Bundle?, 22nd Annual Legal Seminar on Ad Valorem Taxation in San Antonio, 2008
- Real Estate Appraisal Issues and Ethics, Eminent Domain for Attorneys in Texas, 2007
- Contemporary Appraisal Issues, Central Texas Commercial Property Exchange, 2007
- Capitalization Theory & Techniques, Chartered Financial Analysts, 2007
- Material and Substantial Impairment of Access, CLE® International, 2003
- Fee Simple Versus Leased Fee Valuation: A Study of Appraisal Models, Downtown Austin Alliance, Institute of Real Estate Management, 2001
- Regulatory Takings, International Right of Way Association, 2000
- The Schmidt Opinion From the Appraiser's Perspective, Office of the Attorney General, State of Texas, 1993
- Asbestos Abatement and Lead Paint: Effects on Real Estate Value, Texas Association of Appraisal Districts, 1992
- The Endangered Species Act and Its Impact on Property Value, Texas Savings and Loan League, 1989
- Valuation Theory, Real Estate Symposium, University of Texas, 1984



QUALIFICATIONS OF JOSEPH MCAWEENEY



<p>➤ Experience:</p>	<ul style="list-style-type: none"> ➤ March 2012 to present: Appraiser, Paul Hornsby and Company ➤ August 2005 to March 2012: Senior Analyst, Integra Realty Resources – South Carolina and Integra Realty Resources - Austin ➤ Joseph J. Blake & Associates – Chicago - Senior Appraiser ➤ HDG Mansur Investment Services Group –Indianapolis - Associate Asset Manager ➤ Lend Lease Group- Chicago – Senior Investment Analyst ➤ Capital Associates Realty Partners- Apartment Asset Management/Acquisition ➤ Joseph J Blake & Associates- Chicago - Appraiser <p>Joseph McAweeney appraisal background includes market analysis and research of various commercial property types, including multifamily, single and multi-tenant commercial/retail buildings, industrial facilities and vacant land, with a prior specialization in apartments, multitenant offices and LIHTC multifamily work. Mr. McAweeney has appraised properties throughout Texas and across the United States.</p>
<p>Licenses and Designations:</p>	<ul style="list-style-type: none"> ➤ State Certified General Real Estate Appraiser #TX-1338430-G
<p>Associations and Activities:</p>	<ul style="list-style-type: none"> ➤ Applied for Associate Membership of the Appraisal Institute and the Austin Chapter of the Appraisal Institute
<p>Education:</p>	<p><u>Professional Courses</u></p> <ul style="list-style-type: none"> ➤ General Appraiser Site Valuation and Cost Approach ➤ General Market Analysis and Highest & Best Use ➤ Advanced Sales Comparison and Cost Approach ➤ Advanced Income Capitalization ➤ Business Practices and Ethics ➤ 7 Hour National USPAP Equivalent Course 2012-2013 ➤ Eminent Domain And Condemnation 2012 ➤ General Demonstration Reports Seminar 2011 ➤ Numerous other courses and seminars completed <p><u>Formal Education</u></p> <p>Dublin Institute of Technology- Ireland, - Diploma in Valuation and Estate Agency 1990</p> <p>University of Reading, College of Estate Management – Royal Institution of Chartered Surveyors Professional Examinations 1991 – Bachelor Science Degree in Estate Valuation and Management</p>

