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Summary Appraisal Report

City of Corpus Christi

Corpus Christi International Airport

WEST GENERAL AVIATION FACILITY
EAST GENERAL AVIATION FACILITY
IMPROVED AND UNIMPROVED LAND

November 18, 2011

SUMMARY APPRAISAL REPORT

of:

West General Aviation Facility
East General Aviation Facility
Improved and Unimproved Land

1000 International Drive
Department of Aviation
Corpus Christi, Texas 77406

Prepared For:
Mr. Enrique H. Castillo
Assistant Director of Aviation
Corpus Christi International Airport
1000 International Drive
Department of Aviation
Corpus Christi, Texas 77406

Prepared By:

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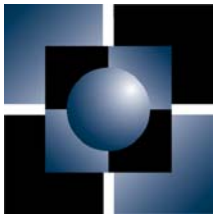
Littleton, Colorado, 80120-2000
Appraiser

Date of Report:
November 18, 2011

Date of Value:
August 11, 2011



Aviation Management Consulting Group

November 18, 2011

Mr. Enrique H. Castillo
Assistant Director of Aviation
Corpus Christi International Airport
1000 International Drive
Department of Aviation
Corpus Christi, Texas 77406

RE: Summary Appraisal Report
West General Aviation Facility
East General Aviation Facility
Improved and Unimproved Land
Corpus Christi International Airport

Dear Mr. Castillo:

In accordance with your request and authorization, this writing transmits our summary appraisal report for the above referenced properties (hereinafter referred to as the "Subject Properties").

The purpose of this assignment is to determine the market value and the market rent for the West General Aviation Facility (WGA) and the East General Aviation Facility (EGA) and to determine the market rent for certain parcels of improved and unimproved land located at Corpus Christi International Airport (Airport). The Subject Properties consists of the land and improvements (Hangar, General Aviation Terminal Building, Office – associated with Hangar, Storage – associated with Hangar, Apron, Vehicle Parking, and Fuel Storage Facilities) currently being leased by Atlantic Aviation and Signature Flight Support from the City of Corpus Christi (City) and certain parcels of land (identified as B1, C1, and C2 areas) which are currently available for lease at the Airport.

This summary appraisal report was prepared in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP) as set forth by the Appraisal Foundation in accordance with the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute. In addition, this summary appraisal report has been prepared in conformance with Federal Aviation Administration (FAA) requirements.

As a result of the analysis conducted and based upon our experience in the field of real property valuation, an opinion of market value of the Subject Properties, as the date of valuation and contingent to the attached Limiting Conditions and Certifications, has been derived, as follows:

"As Is" Value (August 11, 2011)

West General Aviation Facility	**$3,750,000**
East General Aviation Facility	**$3,500,000**

The market rental rates (by component) for the Subject Properties are conveyed in the Executive Summary.

The following summary appraisal report contains the descriptive data and analyses upon which our opinion was predicated. Should you have any questions concerning the contents of this report, please feel free to call us. Thank you for the opportunity to serve you.

Respectively submitted,

David C. Benner
Associate Consultant
Aviation Management Consulting Group, Inc.
Consultant

Robert D. Decker, MAI
Decker Associates, Inc.
Texas Temporary Permit No. TX-2528
Appraiser

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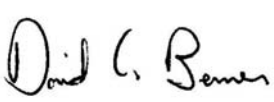
I. CERTIFICATIONS

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

- the appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or approval of a loan.
- we did not base (either partially or completely) and/or estimate value predicated upon the race, color, religion, sex, handicap, familial status, health or national origin of the present or prospective owners, occupants or users of the Subject Properties, or of the present or prospective owners, occupants or user of the properties in the vicinity of the Subject Properties.
- 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 represent our personal, impartial, unbiased professional analyses, opinions, and conclusions.
- we have no present or prospective interest in the Subject Properties and we have no personal interest with respect to the parties involved.
- we have no bias with respect to the Subject Properties or to the parties involved with this assignment.
- our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- our analyses, opinions, and conclusions were developed and this report has been prepared in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- Robert D. Decker (Appraiser) and David Benner (Consultant) have made personal inspections of the Subject Properties.
- as of the date of this report Robert D. Decker, MAI has completed the voluntary requirements under the continuing education program of the Appraisal Institute.
- we have not performed previous appraisal services related to these Subject Properties.
- the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- the following opinion of value has been derived for the Subject Properties as of August 11, 2011:

"As Is" Value (August 11, 2011) – West General Aviation Facility	**$3,750,000**
"As Is" Value (August 11, 2011) – East General Aviation Facility	**$3,500,000**



David C. Benner
Associate Consultant
Aviation Management Consulting Group, Inc.
Consultant

Robert D. Decker, MAI
Decker Associates, Inc.
Texas Temporary Permit No. TX-2528
Appraiser

II. LIMITING AND CONTINGENT CONDITIONS

This report is made expressly subject to the following conditions and stipulations:

1. Our compensation is not contingent upon the reporting of a predetermined value that favors the cause of the client, the amount of value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event, and the appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or approval of a loan.
2. This report is made for the client to whom it is addressed and is delivered to the client on the condition that it is to be used by said client only for the purpose stated in the report. No reliance is to be placed on this report for any other purposes nor shall it be published, distributed or shown to other parties except to the party to whom the report is addressed.
3. No responsibility is assumed for matters legal in character. We render no opinion as to the title, but assume that it is marketable. The Subject Properties are appraised as though free and clear of all liens and encumbrances, except as otherwise indicated. Management and ownership are presumed to be competent and responsible.
4. All drawings, diagrams, and photographs in this report are included to assist the reader in visualizing the Subject Properties. These drawings do not represent the product of any professional survey performed by us or any other individual or firm. We are not professional engineers; therefore, we have not completed any engineering survey of the Subject Properties nor are we reporting on structural adequacy.
5. No right to expert testimony, attendance in court, or publication is indicated with possession of this report. We will be available for expert testimony in court at the request of the client at a rate of $200.00 per hour (for Robert Decker, Appraiser) and $180.00 per hour (for David Benner, Consultant) plus incidental (out-of-pocket) expenses.
6. We have no present or contemplated future interest in the Subject Properties.
7. The property information included in this report was provided by the client and assumed to be correct. Market data is based upon information reported by lessors and sellers, lessees and buyers, and/or by other people knowledgeable about the individual transactions. Since not all transactions are reported and some information may be incorrect, the available information may not accurately reflect the status of the market.
8. Our opinion assumes that the existing improvements comply with building and zoning codes of the municipality in which it is located, unless otherwise noted.
9. In the current market, real estate price levels for income-producing properties are dictated by the present value of future expectations. Under the circumstances, appraisers must quantify market estimates which are, by their character, imprecise. Property earnings and financial estimates contained in this report represent our informed judgment as to present and anticipated market trends as of the date of value. Any aberrations and/or dramatic changes in segments of the local and national economy may impact the property's capacity to generate the earnings set forth herein with a concomitant impact on value.
10. This analysis assumes the Subject Properties are free of hazardous materials and toxic wastes. The presence of hazardous materials or toxic wastes on the Subject Properties can substantially impact value. A variety of materials, including chemicals, metals and minerals, has been determined to be hazardous or toxic under local, state and/or federal laws and regulations and can be required to be specially handled and removed from the Subject Properties at the expense of the property owner. Certain materials which may have been used in the construction of the premises or in building components may be hazardous. Asbestos, for example, can be hazardous and has been included in a number of building components such as fire proofing, insulation, linoleum, floor tiles, ceiling panels and acoustical ceiling coatings.

Appraisers are not experienced in identifying potential toxic waste and hazardous material problems nor estimating the cost of resolving such problems. In order to identify the nature and extent, if any, of toxic waste and hazardous material problems of the Subject Properties, the appropriate experts should be selected and retained.

11. Except as noted, this analysis assumes the land to be free of adverse soil conditions which would prohibit development of the Subject Properties to highest and best use. We assume no liability as to the soils condition of the Subject Properties. This analysis is of surface rights only, and no analysis has been made of the value of subsurface rights, if any.
12. The United States Congress has enacted the Americans with Disabilities Act. Among other things, this act is intended to make many business establishments equally accessible to persons with a variety of disabilities; modifications to real property may be required. State and local laws also may mandate changes. We are not qualified to advise you as to what, if any, changes may be required now, or in the future. As such, you should consult your attorneys and qualified design professionals for information regarding these matters. We cannot determine which attorneys or design professionals have the appropriate expertise in this area for your needs. Therefore, unless otherwise stated herein, this report and any estimate of value or other evaluation contained herein does not include any allowance for any cost which may be necessary now, or in the future, to bring the Subject Properties into compliance with the requirements, if any, of the Americans with Disabilities Act.
13. We assume that all the building systems, including electrical, mechanical, and plumbing, are in good operating condition. We have not inspected these systems nor are we qualified to comment on the condition of the systems. An expert in these fields should be retained for an inspection. Except as otherwise noted in this report, the Subject Properties are appraised as though there are no structural, mechanical or other defects or problems associated with it.
14. Neither all nor any part of this report (nor any findings, opinions, and/or conclusions contained in this report) shall be disseminated to the news media or to the general public without prior written consent and approval of the authors of this report.
15. Only the subject real estate was appraised. No personal property was included or appraised. The going-concern value of the business was not included or appraised.

III. EXECUTIVE SUMMARY[1]

Subject Properties:	West General Aviation Facility (WGA) East General Aviation Facility (EGA) Improved and Unimproved Land Corpus Christi International Airport 1000 International Drive Corpus Christ, Texas 77406
Date of Report:	November 18, 2011
Date of Value:	August 11, 2011
Zoning:	IH, Heavy Industrial, City of Corpus Christi

A. Market Value – West General Aviation Facility (WGA)

Improvement Description:	Consists of Aeronautical Improved Land (Commercial), Hangar, General Aviation Terminal Building, Office (associated with Hangar), Storage (associated with Hangar), Concrete Apron, Asphalt and Concrete Vehicle Parking, and a Fuel Storage Facility
Highest and Best Use:	As Vacant: Aeronautical Use As Existing: Commercial Aeronautical Use (aviation business)
Market Value Indication:	"As Is"
Cost Approach (rounded):	$4,250,000
Income Approach (rounded):	$3,500,000
Final Conclusion (rounded)	$3,750,000

B. Market Value – East General Aviation Facility (EGA)

Improvement Description:	Consists of Aeronautical Improved Land (Commercial), Hangar, General Aviation Terminal Building, Office (associated with Hangar), Storage (associated with Hangar), Asphalt Apron, Asphalt and Concrete Vehicle Parking, and a Fuel Storage Facility
Highest and Best Use:	As Vacant: Aeronautical Use As Existing: Commercial Aeronautical Use (aviation business)
Market Value Indication:	"As Is"
Cost Approach (rounded):	$2,500,000
Income Approach (rounded):	$4,250,000
Final Conclusion (rounded)	$3,500,000

[1] This Executive Summary represents only a portion of this summary appraisal report and is invalid outside the context of the entire document.

C. Market Rent – Subject Properties

Improvement Description: Consists of Aeronautical Improved Land (Commercial and Non-Commercial), Aeronautical Unimproved Land (Commercial and Non-Commercial), Non-Aeronautical Improved Land (Commercial and Non-Commercial), Non-Aeronautical Unimproved Land (Commercial and Non-Commercial), Hangar, General Aviation Terminal Building, Office (associated with Hangar), Storage (associated with Hangar), Asphalt and Concrete Apron, Asphalt and Concrete Vehicle Parking, and Fuel Storage Facilities

Market Rent Conclusion: The following table conveys the recommended market rent for each component of the Subject Property.

Subject Property	Name	Total Square Feet	Market Rent
Component			
Non-Aeronautical Improved Land	B1-1	219,465	$0.080
	B1-2	248,851	$0.080
	B1-3	476,988	$0.100
	B1-4	244,475	$0.120
	B1-5	383,583	$0.110
	B1-6	511,479	$0.100
	B1-7	46,310	$0.120
	B1-8	359,518	$0.100
	B1-9	190,177	$0.100
	B1-10	231,820	$0.120
	B1-13	355,245	$0.110
	B1-15	315,388	$0.110
Non-Aeronautical Unimproved Land	C1-2	184,292	$0.060
	C1-4	285,412	$0.050
	C1-6	258,830	$0.050
	C1-8	160,057	$0.050
	C1-10	351,656	$0.050
	C1-12	259,889	$0.050
	C1-14	360,505	$0.050
	C2-2	262,725	$0.050
	C2-4	258,655	$0.050
	C2-6	256,669	$0.050
	C2-8	242,385	$0.050
Aeronautical Improved Land (Commercial)		0 – 200,000 SF	$0.275
		200,000 – 1,000,000 SF	$0.250
		Greater than 1,000,000 SF	$0.225
	B1-11	251,244	$0.250
	B1-12	546,039	$0.250
	B1-14	78,358	$0.275
	B1-16	1,149,553	$0.225
	B1-17	74,565	$0.275
	WGA Undeveloped Land	170,087	$0.300
	EGA Undeveloped Land	140,048	$0.300

Aeronautical Improved Land (Non-Commercial)		0 – 200,000 SF	$0.300
		200,000 – 1,000,000 SF	$0.275
		Greater than 1,000,000 SF	$0.250
	B1-11	251,244	$0.275
	B1-12	546,039	$0.275
	B1-14	78,358	$0.300
	B1-16	1,149,553	$0.250
	B1-17	74,565	$0.300
Aeronautical Unimproved Land (Commercial)		0 – 200,000 SF	$0.175
		200,000 – 1,000,000 SF	$0.150
		Greater than 1,000,000 SF	$0.125
	C1-1	231,392	$0.150
	C1-3	388,058	$0.150
	C1-5	399,154	$0.150
	C1-7	394,432	$0.150
	C1-9	389,710	$0.150
	C1-11	384,988	$0.150
	C1-13	380,266	$0.150
	C2-1	480,951	$0.150
	C2-3	208,588	$0.150
	C2-5	267,870	$0.150
	C2-7	209,262	$0.150
Aeronautical Unimproved Land (Non-Commercial)		0 – 200,000 SF	$0.200
		200,000 – 1,000,000 SF	$0.175
		Greater than 1,000,000 SF	$0.150
	C1-1	231,392	$0.175
	C1-3	388,058	$0.175
	C1-5	399,154	$0.175
	C1-7	394,432	$0.175
	C1-9	389,710	$0.175
	C1-11	384,988	$0.175
	C1-13	380,266	$0.175
	C2-1	480,951	$0.175
	C2-3	208,588	$0.175
	C2-5	267,870	$0.175
	C2-7	209,262	$0.175
Hangar	WGA H-1	14,000 SF	$1.500
	WGA H-2	14,000 SF	$1.500
	WGA H-3	11,500 SF	$1.650
	WGA H-4	13,325 SF	$1.350
	EGA H-1	25,600 SF	$1.650
	EGA H-2	15,000 SF	$1.500
	EGA H-3	30,800 SF	$1.650
	EGA H-4	5,000 SF	$1.650
General Aviation Terminal Building	WGA OF-1	3,105 SF	$6.000
	EGA OF-1	4,900 SF	$6.000
Office (associated with Hangar)	WGA OF-2	4,680 SF	$5.650
	WGA OF-3	2,300 SF	$6.250
	WGA OF-3	2,300 SF	$6.250
	EGA OF-2	2,500 SF	$6.250
	EGA OF-3	5,000 SF	$5.650
	EGA OF-4	5,000 SF	$5.650
	EGA OF-5	5,700 SF	$5.650
	EGA OF-6	2,000 SF	$6.250

Storage (associated with Hangar)	WGA OF-2 EGA OF-5	4,680 SF 1,900 SF	$1.250
Asphalt Apron	EGA Apron	354,765 SF	$0.325
Concrete Apron	WGA Apron WGA Apron – FSF	466,514 SF 11,246 SF	$0.350
Asphalt Vehicle Parking	WGA Vehicle Parking EGA Vehicle Parking	56,543 SF 39,500 SF	$0.300
Concrete Vehicle Parking	WGA Vehicle Parking EGA Vehicle Parking	5,280 SF 47,266 SF	$0.300
Fuel Storage Facility	WGA FSF	24,000 gallon Jet Fuel 10,000 gallon Avgas 500 gallon Unleaded	$0.750
	EGA FSF	36,000 gallon Jet Fuel 12,000 gallon Avgas 2,000 gallon Unleaded 2,000 gallon Diesel	$0.750

All rental rates (excluding the Fuel Storage Facility) are “per square foot per year” (psf/yr)
Rental rates for the Fuel Storage Facility are “per gallon of capacity per year” (pg/yr)

D. Definitions

Aeronautical Improved Land, Airport land having access (airside and landside) and utilities to the property boundary.

Aeronautical Unimproved Land, Airport land without access (airside or landside) or without utilities to the property boundary

Commercial, An activity undertaken with the intent to generate and/or secure earnings, income, or compensation (including exchange or barter of goods or services), and/or profit, whether or not such objectives are accomplished.

Itinerant, Aircraft operations terminated at the Airport which (1) arrive from outside the Airport area or (2) depart the Airport and leave the Airport area.

Local, Aircraft operations which (1) remain in the local traffic pattern, (2) execute simulated instrument approaches or low passes at the Airport, or (3) operate to or from the Airport and a designated practice area within a 20 mile radius of the Air Traffic Control Tower.

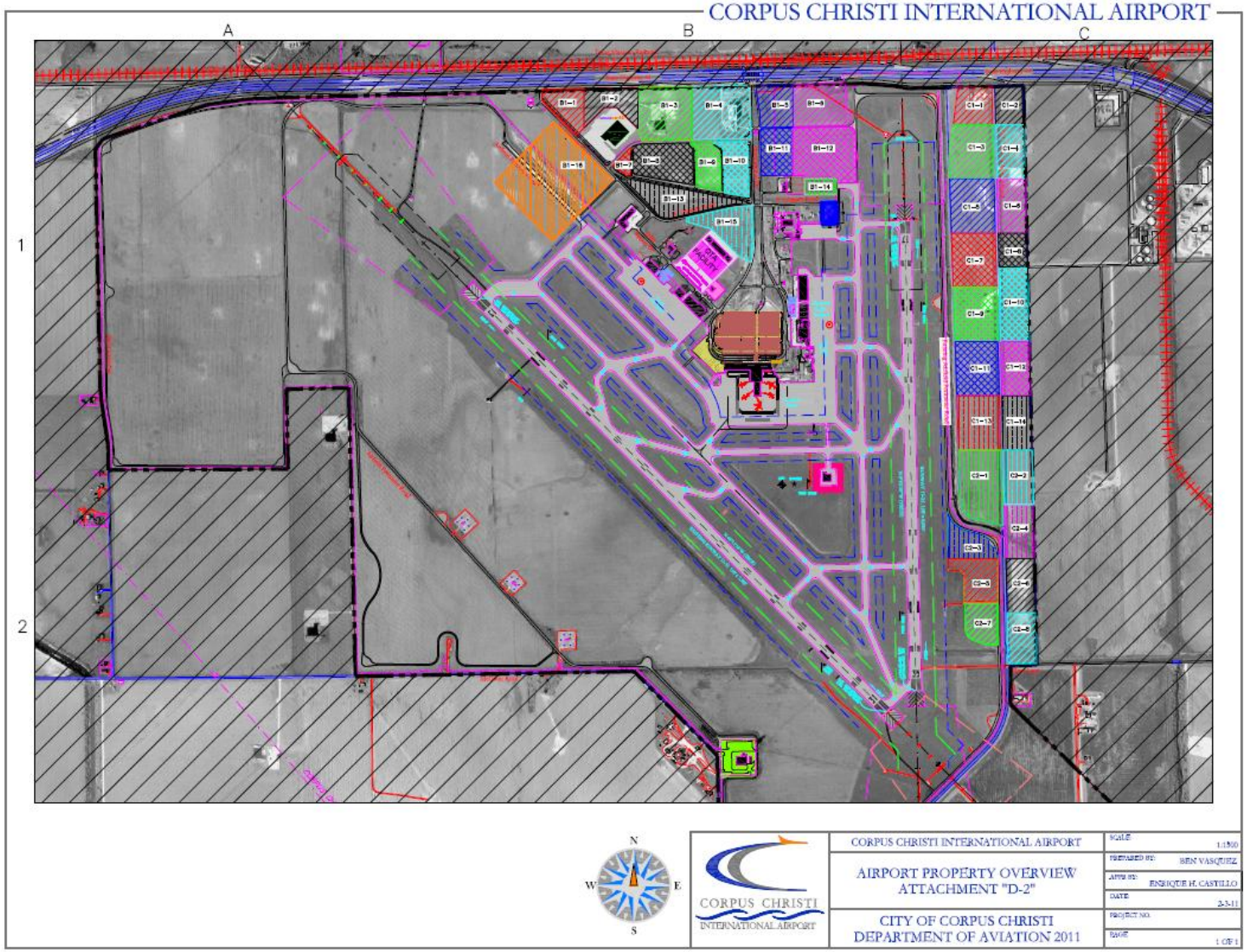
Non-Aeronautical Improved Land, Airport land having landside access and utilities to the property boundary, but no airside access.

Non-Aeronautical Unimproved Land, Airport land without landside access or utilities to the property boundary and no airside access.

Non-Commercial, An activity undertaken for a purpose other than securing earnings, income, compensation (including exchange or barter of goods or services), and/or profit.

Undeveloped Land, Airport land which is currently under lease without improvements constructed upon the land.

E. Subject Properties – Identification Map



IV. INTRODUCTION

A. Intended Use and Intended User of the Appraisal

The purpose of this summary appraisal report is to set forth the investigations and analyses leading to our opinion of the market value and the market rent for the Fixed Base Operation (FBO) improvements and the market rent for certain land, both improved and unimproved, located at the Corpus Christi International Airport, Corpus Christi, Texas. The intended user of this report is the Aviation Department and the intended purpose of this report is for establishing market rents for the FBO improvements and for certain parcels of improved and unimproved land.

B. Definition of Market Value

Market value means "the most probable price which a specified interest in real property is likely to bring under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, assuming the price is not affected by undue stimulus". Implicit in this definition are 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 both acting in what they consider their best interest;
c) marketing efforts were adequate and a reasonable time was 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;
e) an open and competitive market exists for the property interest appraised; and,
f) 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]

C. Definition of Market Rent

Market rent is defined as "the rental income a property would probably command in the open market; indicated by the current rents that are either paid or asked for comparable

[2] Dictionary of Real Estate Appraisal, Appraisal Institute, Fourth Edition, Page 177.

space as of the date of appraisal."[3] The market rent conclusions are representative of the rental rates recommended for the City to charge lessees (not the rental rates lessees should charge customers or end users).

D. Property Rights Appraised

The leasehold interest of the property rights is being appraised. Leasehold interest is defined as "the interest held by the lease (tenant or renter) through a lease transferring rights of use and occupancy for a stated term under certain conditions."[4]

E. Scope of the Appraisal

The scope of this appraisal is to gather appropriate market data, utilize appropriate or applicable appraisal techniques, and arrive at an indication of the market value for the Subject Properties. To complete this assignment, an investigation of highest and best use of the Subject Properties as though vacant and as improved was completed and neighborhood trends were analyzed. Information regarding Improved Land (Aeronautical/Non-Aeronautical and Commercial/Non-Commercial), Unimproved Land (Aeronautical/Non-Aeronautical and Commercial/Non-Commercial), General Aviation Terminal Building (GATB), Office (associated with Hangar), Storage (associated with Hangar), Hangar, Apron (Asphalt and Concrete), and Vehicle Parking (Asphalt and Concrete) rental rates were gathered through survey efforts and confirmed with airport owners/operators. Based upon an analysis of the research findings, conclusions were drawn and two approaches to value (Cost and Income Approaches) were completed. The Sales Comparison Approach was not performed since this approach is not considered appropriate or applicable in this case. The Sales Comparison Approach is not a good indicator of value in this case since sales of FBOs include business enterprise which is very difficult to separate from the real estate. A final market value estimate was derived and the results are conveyed in this summary appraisal report.

[3] Ibid, Page 83.
[4] Ibid, Page 162.

F. Date of Report and Value

This report is dated November 18, 2011 which generally corresponds to the completion date of the report. The effective date of value is August 11, 2011 which generally corresponds to the date the Subject Properties were inspected.

G. Area of Influence

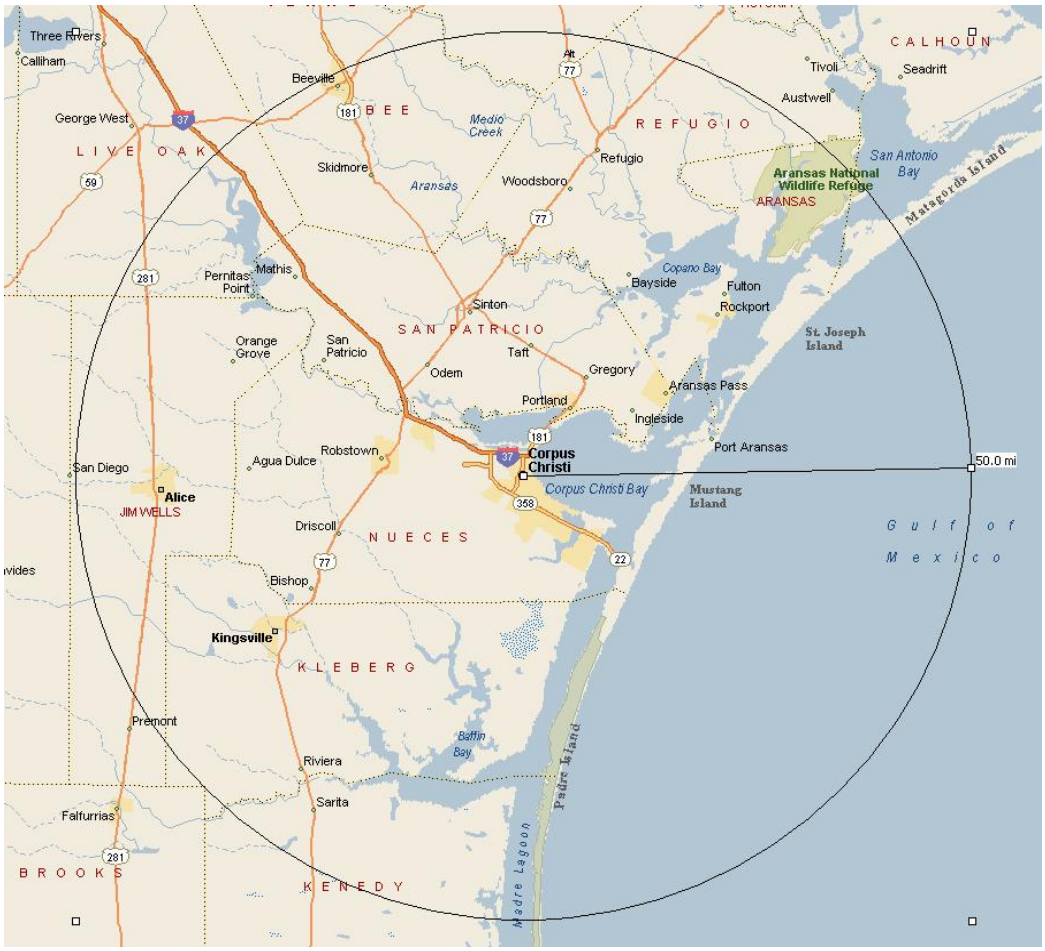
1. Community Overview

The Subject Properties are located in the City of Corpus Christi (City), Texas. The City is located in the extreme southern portion of the State of Texas, in the area known as the Coastal Bend, approximately 207 miles southwest of Houston, 143 miles south of San Antonio, 150 miles east of Laredo, and 159 miles north of Brownsville (and the United States/Mexico Border).

The Spanish explorer, Alonso Alvarez De Pineda, named the City's bay Corpus Christi which translates to "Body of Christ" in Latin. Founded in 1838 as a small trading post, the City later became a major center for the petrochemical industry. The Port of Corpus Christi is the seventh busiest port in the United States in terms of tonnage.

The City is the county seat of Nueces County and serves as the governmental, economic, and cultural center of the region. While Nueces County dominates the statistical and demographic information of the region, the Corpus Christi Metropolitan Statistical Area (MSA) also includes the counties of San Patricio and Aransas. Occasionally, statistical information is provided for the Seven County Region which includes Bee, Jim Wells, Kleberg, and Refugio counties.

The location of the City is depicted in the following map.



2. Population

The City experienced a gradual increase in population between the 2000 and 2010 United States Census. The annual compounded rate of increase was 1.0% per year and the overall percentage increase was 10.1% over the period studied. While the overall percentage increase for the City exceeded the increase for the overall MSA (6.2%), it was approximately one-half of the increase for the State of Texas (20.0%) and slightly higher than the United States (9.4%).

3. Residential Real Estate

Residential construction and price appreciation in the Corpus Christi area generally increased between 2000 and 2006 before decreasing significantly in 2007. The reason for the active housing growth was due primarily to historically low interest rates, which also provided an

impetus for commercial real estate transactions throughout the country. The slightly larger increase in the population growth rate (between 2004 and 2006), when coupled with the area's desirability as a second home location, resulted in strong demand for housing. However, as the Federal Reserve increased interest rates during 2006 and homebuilder profit margins declined, the housing market flattened. In 2007, the national housing market was rocked by the "sub-prime crisis" and in Corpus Christi, single family residential construction activity continued to decrease. From 2009 to 2010, however, total residential permit volume in the City increased 13.3%.

The 2010 dollar-value of residential construction was up 5.8% (compared to 2009); although, volume was down 19.1% (compared to 2008) and 33.6% (compared to 2007). While 2010 single-family dollar-value decreased from 2009, the average price per single-family unit increased 10.8% to $131,664. This may be a misleading indicator in the market as construction of mansion-style residences distorts the average. Most permits in the market fall within the $75,000 to $125,000 range.

4. Resale Housing

The Multiple Listing Service (MLS) statistics for the City were strong between 2003 and 2006 with both sale prices and the number of houses sold increasing. While the average and median prices continued to increase, sales activity dropped 13.1% in 2007 and 16.3% in 2008. Average and median prices remained about the same until early 2009 when prices began to decline. The data suggests a bottoming in the market as 2010's activity was largely unchanged from 2009. The 2010 data indicated 10.3 months worth of inventory compared to an average of 7.2 months (since 2000) and approximately 5.0 months (between 2002 and 2006).

Corpus Christi Single-Family Residential Sales Activity						
Year	Number of Properties	Percent Change	Median Sales Price	Percent Change	Average Sales Price	Percent Change
2000	3,441	N/A	$ 85,900	N/A	$ 103,100	N/A
2001	3,517	2.2%	$ 89,100	3.7%	$ 107,600	4.4%
2002	3,770	7.2%	$ 93,100	4.5%	$ 110,800	3.0%
2003	4,198	11.4%	$ 101,400	8.9%	$ 120,700	8.9%
2004	4,745	13.0%	$ 113,800	12.2%	$ 132,100	9.4%
2005	4,894	3.1%	$ 125,200	10.0%	$ 147,300	11.5%
2006	5,192	6.1%	$ 130,400	4.2%	$ 153,300	4.1%
2007	4,510	-13.1%	$ 136,500	4.7%	$ 162,000	5.7%
2008	3,773	-16.3%	$ 138,900	1.8%	$ 162,900	0.6%
2009	3,444	-8.7%	$ 134,800	-3.0%	$ 155,500	-4.5%
2010	3,445	0.0%	$ 136,500	1.3%	$ 152,300	-2.1%

Source: U.S. Census Bureau and Burbach & Associates, Inc.

The overall apartment vacancy rate for the Corpus Christi Region has typically ranged between 4.0% and 5.0%. The lowest vacancy rate was 3.7% in 2001. The vacancy rate was 2.9% in 2008, 5.6% in 2009, and 6.8% in 2010.

5. Commercial Real Estate

The overall commercial property vacancy rate increased to 10.2% in the fourth quarter of 2010, up from 9.0% in 2009 and 8.0% in 2008. The average quoted full-service rental rate was $13.80 per square foot (Q4, 2010). The industrial market fourth quarter vacancy rate was 4.8% in 2010. This rate is down from 6.2% in 2009 and 5.2% in 2008. The warehouse market vacancy rate was 4.7% while the flex market vacancy rate was 7.4% (Q4, 2010). The average quoted rental rate was $5.95 per square foot (Q4, 2010). The retail market had a fourth quarter 2010 vacancy rate of 6.6%. This rate is down from 6.9% in 2009, but still above the rate of 6.0% in 2008. The average net rental rate was $12.33 per square foot (Q4, 2010).

Commercial permit volume increased 35.7% in 2010 over 2009. The 2010 dollar-volume of total project costs ($118.98 million) was 95.5% higher than the 2009 level ($60.85 million) and the highest since 2006. The proposed construction details for the permits were not readily available from the City. As such, a determination could not be made regarding the extent of private versus public sector funding. Regardless, the significant increase in the number of new permits suggests that private sector construction is increasing.

Commercial Real Estate Market – Fourth Quarter 2010			
Component	**SF (000)**	**Vacancy**	**Rate/SF**
Office Market			
Total Market	9,280	10.2%	$13.80
Class A	1,189	10.3%	$17.34
Class B	6,063	8.7%	$13.85
Class C	2,028	14.7%	$10.45
CBD Market	4,427	7.7%	$15.04
South Side Market	2,205	8.7%	$13.27
Mid-City Market	1,357	20.4%	$12.55
West Side Market	557	10.9%	$10.17
Industrial Market			
Total Market	18,405	4.8%	$5.95
Warehouse Space	17,456	4.7%	$5.55
Flex Space	949	7.4%	$8.82
CBD Market	1,257	4.9%	$4.75
West Side Market	7,998	3.8%	$5.32
Northwest Market	3,334	3.8%	$6.08
South Side Market	1,543	6.6%	$7.55
Southwest Market	1,723	3.7%	$5.91
Retail Market			
Total Market	22,248	6.6%	$12.33
General Retail	11,922	6.7%	$10.17
Mall Market	3,177	3.4%	$13.54
Power Center	346	0.0%	$8.00
Shopping Center	6,770	8.3%	$14.48
CBD Market	1,938	5.5%	$10.29
Mid-City Market	6,281	6.9%	$11.21
South Side Market	5,885	6.3%	$15.63
West Side Market	1,692	5.4%	$6.98
Northwest Market	1,560	11.6%	$10.93
Flour Bluff/Padre Is.	1,581	4.2%	$16.75
Portland/Ingleside	1,748	7.1%	$11.01

Source: U.S. Census and Burbach & Associates, Inc.

6. Employment

The economy of the MSA is rooted in a number of industries including convention and tourism, energy, government, military, manufacturing, construction, consumer goods and services, ranching, fishing, and agriculture.

Several multimillion dollar retail projects have been completed in recent years including new national restaurants, retail strip centers, two new H.E.B. Plus Supermarkets, and three new Walmart stores.

South Padre Island Drive is the City's high-volume retail corridor. There are three large shopping centers located along the corridor including:

a) Sunrise Mall – 800,000 square foot regional mall constructed in 1981, anchored by Sears, Burlington Coat Factory, Wilcox Furniture, and Discount Cinema;

b) Moore Plaza – 560,000 square foot power center constructed in 1989, anchored by a H.E.B. Supermarket, Target, Hobby Lobby, Marshalls, and Office Depot; and

c) La Palmera Mall – 1.2 million square foot regional center, opened in 1970, expanded in 1985, and anchored by Bealls, Dillards, Macys, and JC Penny.

As of December 2010, the total non-agricultural employment in the MSA was 179,800 which represented an increase of 3,000 jobs (or 1.7%) compared to December 2009. In addition, at that time, the unemployment rate in the MSA was 8.3% which was up from 2009 (7.7%) and 2008 (5.5%) compared to 8.0% in the State of Texas and 9.1% in the United States (12/2010).

In 2010, the highest rates of employment growth occurred in the following sectors: Natural Resources, Mining & Construction (5.4%), Manufacturing (3.2%), Other Services (2.9%), Education & Health Services (2.8%), and Professional & Business Services (2.7%). All other sectors were unchanged or had growth rates of less than 1.0%. None of the sectors declined from the prior year.

Since 2005, the largest increases in employment occurred in the following sectors: Other Services (12.7%), Education & Health Services (12.3%), and Natural Resources, Mining, & Construction (8.9%). The Leisure & Hospitality (6.3%) and Government (8.2%) sectors increased as well. The sectors experiencing significant declines included Information (-12.0%), Manufacturing (-10.9%), and Professional & Business Services (-5.5%).

7. Port of Corpus Christi

The Port of Corpus Christi, which was the seventh busiest port in the United States in 2010, is the heart of international trade activity in South Texas. In 2008, 85.9 million tons of cargo moved through the Port, down 3.8% from 2007. In 2009, volume continued to decrease with 76.5 million tons of cargo moving through the Port, down 10.9% from 2008. In 2010,

however, volume increased 7.4% to 82.2 million tons indicating improvement in economic conditions. Petroleum products represented 84% of the tonnage handled in 2010.

8. Tourism

The growth in the region's tourism industry can be attributed to a number of area attractions including the Padre Island National Seashore, Convention Center, USS Lexington Museum, Texas State Aquarium, and Corpus Christi Hooks – a minor league baseball team.

In 2009, the Texas State Aquarium was the top tourist destination (attracting 523,432 visitors) followed by the USS Lexington (attracting 264,927 visitors). It is estimated that the tourism industry generates approximately 12,000 jobs and accounts for approximately 20% of the total wages and salaries in the community.

9. Climate

The City, which is located on the Texas coastline near the Gulf of Mexico, enjoys warmer than average temperatures for the United States, higher than average humidity, rainfall, and sunshine. While the area's tornado activity is below the Texas state average, the area is subject to other natural disasters such as storms, hurricanes, and floods.

10. Utilities

Electrical service in Texas is deregulated. As a result, seven companies provide electrical service in the City. At least five companies offer telephone/television/cable services. The City provides natural gas, trash removal, water, and sewer service.

V. AIRPORT OVERVIEW

A. Airport Description

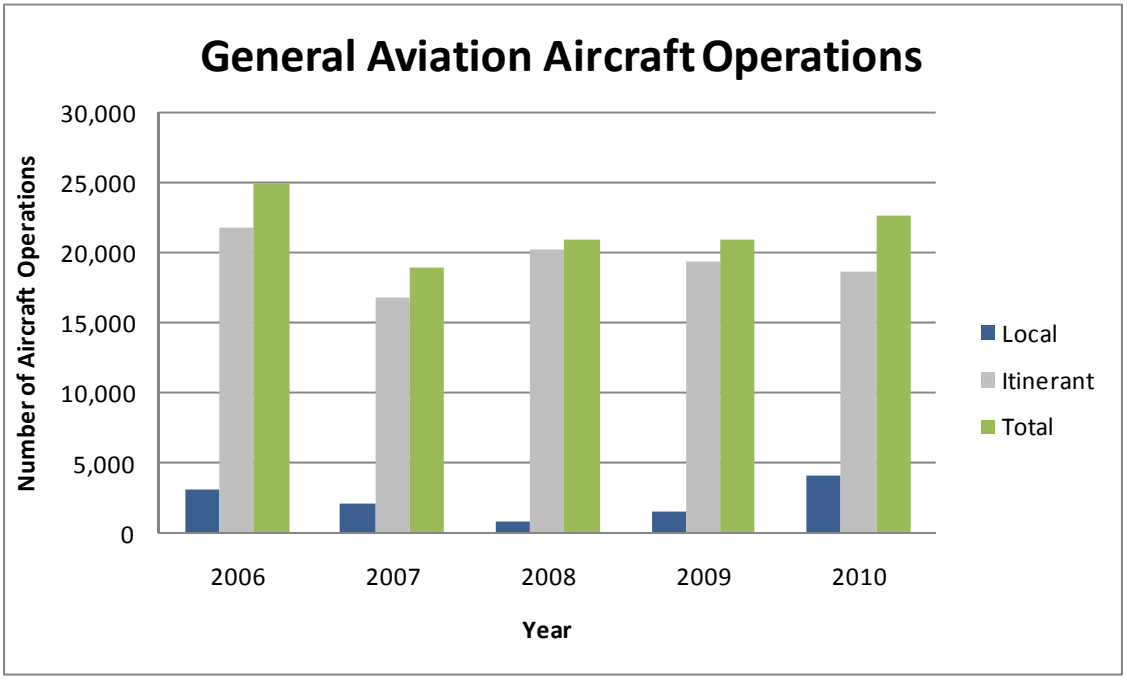
The Airport, which consists of approximately 2,457 acres, has two runways (Runway 13/31 which is 7,508 feet long and 150 feet wide grooved asphalt in good condition and Runway 17/35 which is 6,080 feet long and 150 feet wide grooved asphalt in good condition). The Airport has an Air Traffic Control Tower (which operates from 4:00 a.m. to 12:30 a.m. local) and is served by an Instrument Landing System (ILS) for Runways 13 and 35. The Airport is designated a Primary Small Hub Airport in the Federal Aviation Administration (FAA) National Plan of Integrated Airport Systems.

Runway 13/31 and Runway 17/35 will be extended over the next two years (2012 and 2013). Upon completion, Runway 13/31 will have a declared distance of 9,100 feet and Runway 17/35 will have a new length of 6,680 feet. Upgrades to all navigational aids are part of the multi-million dollar investment which will be complete by 2014.

Recently, the Department and FAA have invested approximately $3.2 million to rehabilitate the Federal Inspection Services (FIS) area to process up to 250 passengers per hour. The users are pleased with the outcome and have labeled it as a “Hassle-Free” facility.

B. Aircraft Operations

The following graphic depicts the general aviation aircraft operations (by category – local, itinerant, and total) at the Airport from 2006 to 2010, as reported by the Air Traffic Activity System (ATADS).

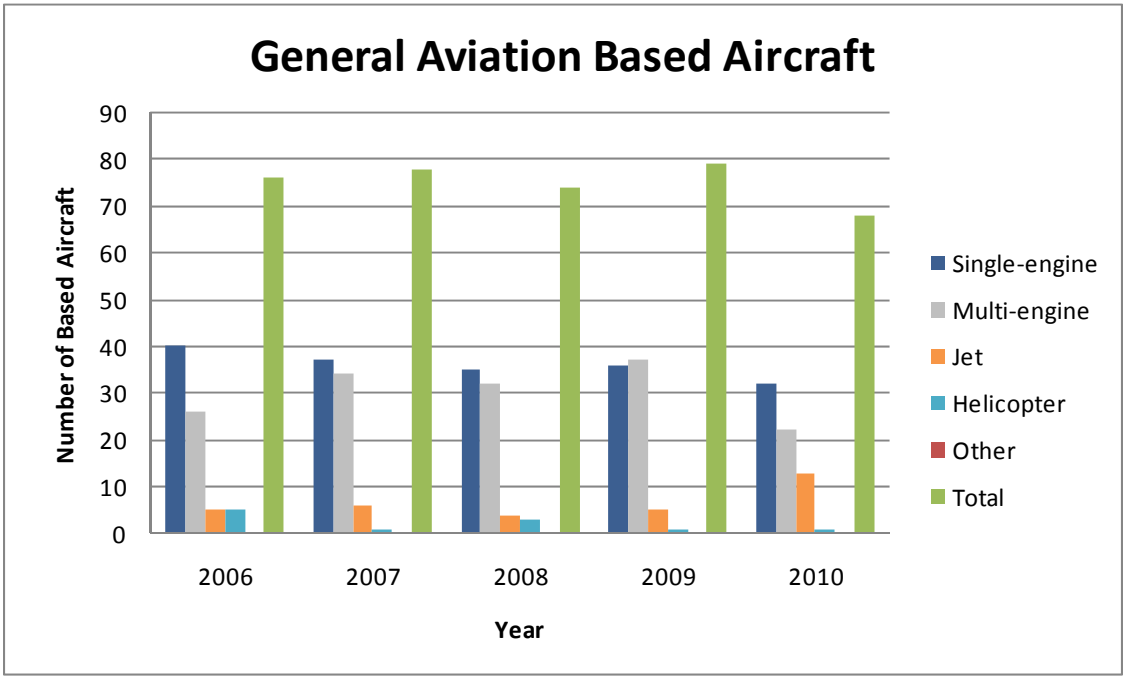


Total general aviation aircraft operations at the Airport have fluctuated from a high of 24,923 (2006) to a low of 18,920 (2007) to 22,704 (2010). This represents an overall decrease of 8.90% which represents an average annual decrease of 3.06% over the five-year period studied.

General Aviation Operations (2006 - 2010)				
Year	Local	Itinerant	Total	% Change
2006	3,170	21,753	24,923	N/A
2007	2,160	16,760	18,920	-24.1%
2008	794	20,200	20,994	11.0%
2009	1,560	19,354	20,914	-0.4%
2010	4,067	18,637	22,704	8.6%

C. Based Aircraft

The majority of aircraft based at the Airport are single-engine aircraft. However, there is a significant number of multi-engine aircraft and jets based at the Airport as well. The following graphic depicts the number of based aircraft at the Airport from 2006 to 2010, as reported by Airport management.

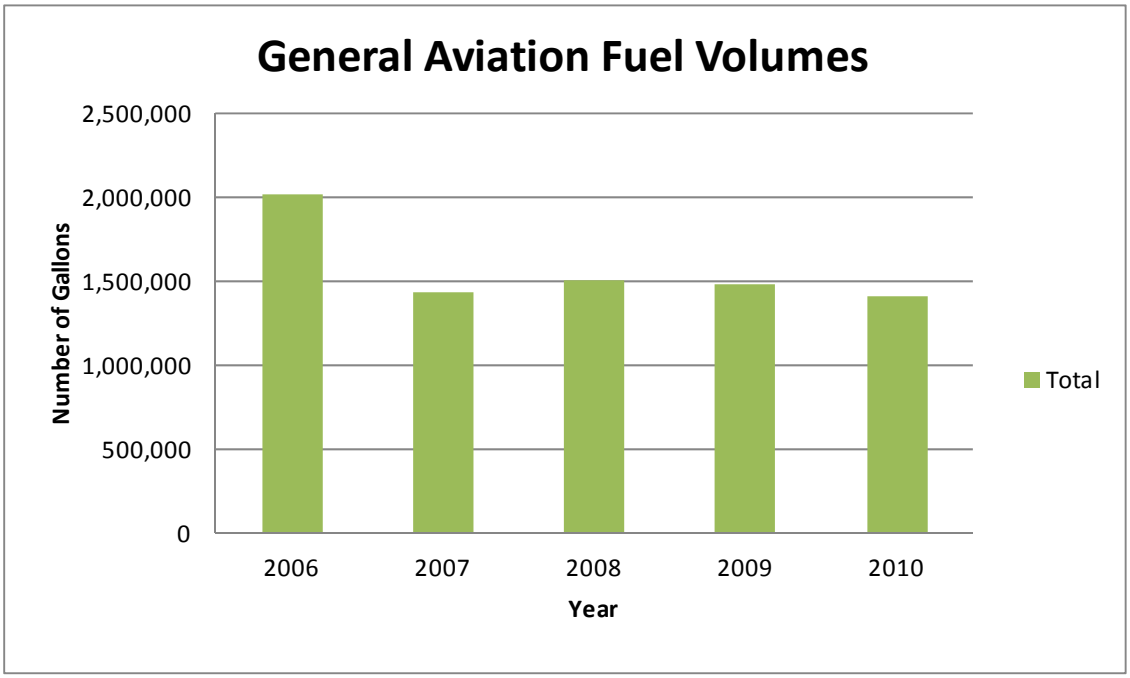


A total of 68 aircraft are currently based at the Airport of which, 32 (or approximately 47.0%) are single-engine aircraft. From 2006 to 2010, the number of based aircraft at the Airport decreased a total of 10.53% which represents an average annual decrease of 3.64%.

General Aviation Based Aircraft (2006 - 2010)							
Year	Single-engine	Multi-engine	Jet	Helicopter	Other	Total	% Change
2006	40	26	5	5	N/A	76	N/A
2007	37	34	6	1	N/A	78	2.6%
2008	35	32	4	3	N/A	74	-5.1%
2009	36	37	5	1	N/A	79	6.8%
2010	32	22	13	1	N/A	68	-13.9%

D. Fuel Volumes

The following graphic depicts the total general aviation fuel volumes at the Airport from 2006 to 2010, as reported by Airport management.



Total general aviation fuel volumes decreased from 2,018,503 gallons (2006) to 1,404,963 gallons (2010). Over the five-year period studied, total general aviation fuel volumes decreased 30.40% which represents an average annual decrease of 11.38%.

General Aviation Fuel Volumes (2006 - 2010)		
Year	Total	% Change
2006	2,018,503	N/A
2007	1,433,421	-40.8%
2008	1,497,428	4.3%
2009	1,478,136	-1.3%
2010	1,404,963	-5.2%

E. Commercial Operators

There are seven general aviation commercial aeronautical operators at the Airport. There are two FBOs (Atlantic Aviation and Signature Flight Support) providing aircraft fueling (Jet Fuel and Avgas), line services, and aircraft parking (hangar and tiedown). There are five SASOs, operating as sublessees of the FBOs, providing aircraft maintenance and repair, avionics and instrument repair, aircraft management and charter, flight training and aircraft rental, and aircraft sales.

F. Non-Commercial Aeronautical Tenants

There are four non-commercial aeronautical tenants (individual or corporate flight departments) based at the Airport (Berry Aviation, L.J. Aviation, Law Office of Allan Potter, and Tubing Rentals). In addition, there are two governmental agencies (National Weather Service and Civil Air Patrol) operating at the Airport. Additionally, the Airport is utilized by all branches of the United States military.

G. Non-Aeronautical Tenants

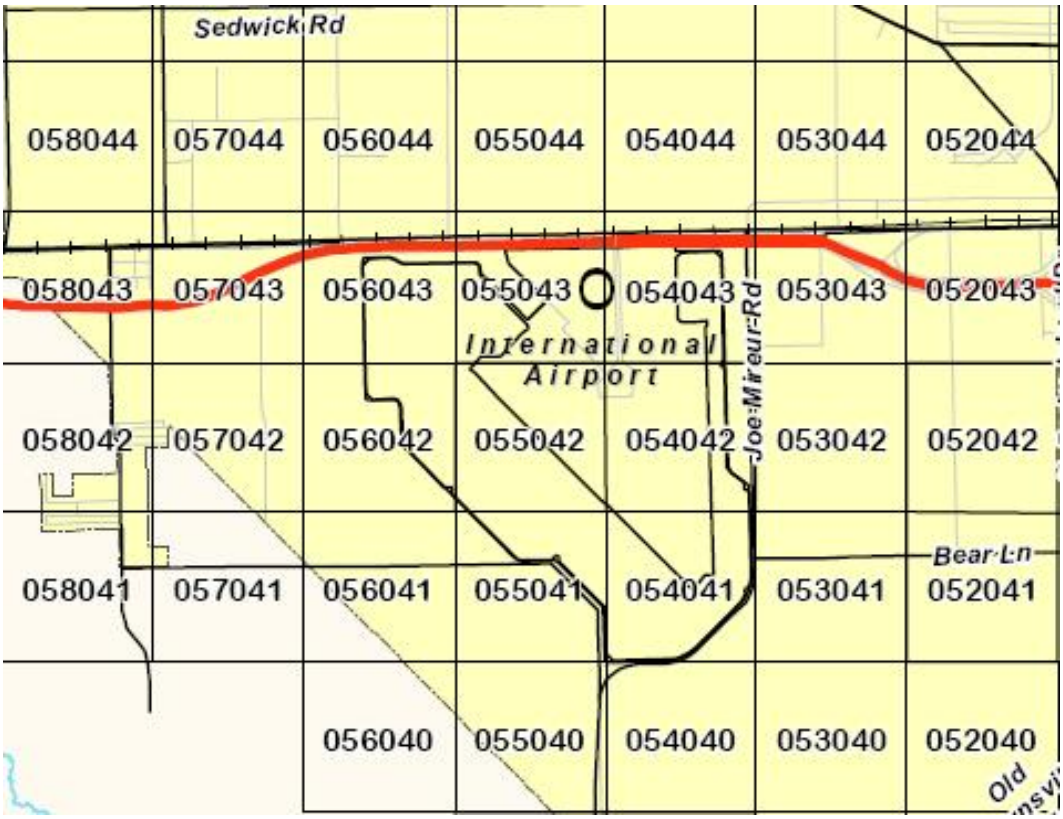
FedEx Ground is currently located in the Airport's International Business Center.

H. Zoning

The Corpus Christ Airport is zoned IH, Heavy Industrial (see zoning map below). The permitted uses under the IH Zone are extensive and include caretaker's quarters, childcare, parks and open areas, passenger terminals, utilities, crematoriums, self-service storage, truck stops, vehicle service, light industrial uses, warehouse and freight movement, waste related uses, wholesale trade, and heavy industrial. The WGA and EGA represent legal conforming uses under the current zoning.

The Airport has a Joint Airport Zoning Board that was authorized in 1980 and the Appraiser assumes the improvements in existence, and under appraisal, meet the criteria set forth in the Airport Zoning Ordinance. Since the Subject Properties are located at the Airport, as stipulated in 14 CFR Part 77, a variety of setback and clear (obstacle-free) zone requirements relating to the Airport's runways and taxiways (e.g., horizontal, transitional, and conical zones) apply as well. It is assumed that the improvements conform to FAA standards. The City has adopted Leasehold Development Criteria which governs leasehold development at the Airport. It is beyond the scope of work to provide an opinion as to whether or not the existing FBO improvements conform to the City's development criteria or any other standards established by the City.

1. Zoning Map



I. Assessor's Data

The improvements at the Airport are part of the Nueces County Appraisal District and accessed accordingly. The improvements, which have various parcel numbers, are assessed separately. A summary of the assessments of the West and East General Aviation Facilities follows:

Improvement	Parcel Number	Status
Signature Aviation	75-46-0000-00-22	Exempt
Atlantic Aviation	75-46-0000-00-21	Exempt

The land at the Airport is exempt from property taxes; therefore, there are no assessor parcel numbers for the land.

VI. SUBJECT PROPERTIES

A. History of Property/Owner of Record

The Airport is owned by the City of Corpus Christi. The original site, which consisted of 470 acres, was purchased by the City in 1957 and several parcels of land have been added over the years. Currently, the Airport consists of 2,457 acres.

B. Legal Description

A legal description of the Airport was requested, but not provided. However, metes and bounds descriptions are provided in the Appendix section of this report.

C. Property Description

West and East General Aviation Facilities

Street Address:	Atlantic Aviation (West General Aviation Facility) and Signature Flight Support (East General Aviation Facility) have the following addresses: Atlantic Aviation 355 Pinson Drive Corpus Christi, Texas 78406 Signature Flight Support 506 International Drive Corpus Christ, Texas 78406
Location:	Atlantic Aviation is located on the west side of the Airport and Signature Flight Support is located on the east side of the Airport. Please refer to the Subject Properties Identification Map provided in the Appendix.
Site Area:	WGA: approximately 774,880 square feet (17.79 acres) EGA: approximately 683,079 square feet (15.68 acres)
Topography:	The sites are level at street grade with a slight slope in a southeasterly direction.
Soil Conditions:	The Appraiser was not furnished with a soils report for review. It is assumed there are no soil conditions which would adversely impact the Subject Properties.
Easements:	The Appraiser was not provided with a title report for review. It is assumed there are no easements or encumbrances which would adversely impact the Subject Properties.

Utility Availability:	All usual and necessary public utilities are available to both sites and are provided by the following agencies:

Water:	City of Corpus Christi
Sewer:	City of Corpus Christi
Natural Gas:	City of Corpus Christi
Electrical Service:	Multiple providers
Trash Removal:	City of Corpus Christi
Telephone/television/cable	Multiple providers

Access to Street Improvements:	Both sites are accessible from International Drive – the main commercial arterial to the Airport. International Drive connects with State Highway 84 to the north, which, in turn, connects with Interstate 37.
On-Site Improvements:	The West General Aviation Facility consists of Aeronautical Improved Land (Commercial), Hangar, General Aviation Terminal Building, Office (associated with Hangar), Storage (associated with Hangar), Concrete Apron, Asphalt and Concrete Vehicle Parking, and a Fuel Storage Facility. The East General Aviation Facility consists of Aeronautical Improved Land (Commercial), Hangar, General Aviation Terminal Building, Office (associated with Hangar), Storage (associated with Hangar), Asphalt Apron, Asphalt and Concrete Vehicle Parking, and a Fuel Storage Facility.
Environmental Hazards:	The Appraiser reviewed and considered the Phase I report. However, the Appraiser has not quantified the impact of the findings for the Subject Properties as this is beyond the scope of work.
Wetlands:	During inspection of the sites, no wetlands were observed.
Vegetation:	With the exception of the runways, taxiways, apron, roads, and other developed portions of the Airport, the undeveloped portions of the Airport are natural grass, which is mowed periodically, and farmland which is managed by contract farmers.
Functional Utility:	The sites are large, slightly irregular in shape, and improved with various facilities. As a result of the size and shape of the sites, a wide variety of uses including, but not limited to, FBOs can be accommodated.

Aeronautical and Non-Aeronautical Land

Street Address:	Street addresses have not been assigned to any of the land parcels due to lack of development.
Location:	The land parcels are located to the north of the Airport passenger terminal building, both east and west of International Drive.
Site Area:	The total land area under appraisal is 277.71 acres identified as B-1, C-1, and C-2.
Topography:	The sites are level at street grade with a slight slope in a southeasterly direction.
Soil Conditions:	The Appraiser was not furnished with a soils report for review. It is assumed there are no soil conditions which would adversely impact the Subject Properties.
Easements:	The Appraiser was not provided with a title report for review. It is assumed there are no easements or encumbrances which would adversely impact the Subject Properties.
Utility Availability:	B-1 parcels are ready for development and have all usual and necessary public utilities available. C-1 and C-2 parcels do not have all the usual and necessary public utilities installed as of the date of appraisal.
Access to Street Improvements:	The subject land available for development is located on both the east and west sides of International Drive.
On-Site Improvements:	All of the land parcels are current vacant and available for development.
Environmental Hazards:	The Appraiser reviewed and considered the Phase I report. However, the Appraiser has not quantified the impact of the findings for the Subject Properties as this is beyond the scope of work.
Wetlands:	During inspection of the sites, no wetlands were observed.
Vegetation:	With the exception of the runways, taxiways, apron, roads, and other developed portions of the Airport, the undeveloped portion of the Airport are natural grass, which is mowed periodically, and farmland which is managed by contract farmers.
Functional Utility:	The sites are large, generally rectangular in shape, and the size of the sites can be adjusted as the demand dictates. Such potential uses include C-store, hotel, office, hangar (and associated office and shop areas), and warehouse.

D. Description of the Subject Properties

1. Non-Aeronautical Improved Land

There are approximately 3,583,298 square feet (82.26 acres) of Non-Aeronautical Improved Land available for lease at the Airport. The following table, which utilizes the parcel names provided by Airport management, identifies the Non-Aeronautical Improved Land areas and associated use(s):

Non-Aeronautical Improved Land			
Area	Use	Lessee	Square Feet
B1-1	Commercial/Non-Commercial	N/A	219,465
B1-2	Commercial/Non-Commercial	N/A	248,851
B1-3	Commercial/Non-Commercial	N/A	476,988
B1-4	Commercial/Non-Commercial	N/A	244,475
B1-5	Commercial/Non-Commercial	N/A	383,583
B1-6	Commercial/Non-Commercial	N/A	511,479
B1-7	Commercial/Non-Commercial	N/A	46,310
B1-8	Commercial/Non-Commercial	N/A	359,518
B1-9	Commercial/Non-Commercial	N/A	190,177
B1-10	Commercial/Non-Commercial	N/A	231,820
B1-13	Commercial/Non-Commercial	N/A	355,245
B1-15	Commercial/Non-Commercial	N/A	315,388
		Total	3,583,298

2. Non-Aeronautical Unimproved Land

There are approximately 2,754,075 square feet (63.22 acres) of Non-Aeronautical Unimproved Land available for lease at the Airport. The following table, which utilizes the parcel names provided by Airport management, identified the Non-Aeronautical Unimproved Land areas and associated use(s):

Non-Aeronautical Unimproved Land			
Area	Use	Lessee	Square Feet
C1-2	Commercial/Non-Commercial	N/A	184,292
C1-4	Commercial/Non-Commercial	N/A	258,412
C1-6	Commercial/Non-Commercial	N/A	258,830
C1-8	Commercial/Non-Commercial	N/A	160,057
C1-10	Commercial/Non-Commercial	N/A	351,656
C1-12	Commercial/Non-Commercial	N/A	259,889
C1-14	Commercial/Non-Commercial	N/A	260,505
C2-2	Commercial/Non-Commercial	N/A	262,725
C2-4	Commercial/Non-Commercial	N/A	258,655
C2-6	Commercial/Non-Commercial	N/A	256,669
C2-8	Commercial/Non-Commercial	N/A	242,385
		Total	2,754,075

3. Aeronautical Improved Land

There is approximately 2,409,895 square feet (55.32 acres) of Aeronautical Improved Land leased from the City or available for lease at the Airport. Approximately 170,087 square feet of the Aeronautical Improved Land associated with WGA is utilized for commercial purposes by Atlantic Aviation and approximately 140,048 square feet of Aeronautical Improved Land associated with the EGA is utilized for commercial purposes by Signature. The remaining 2,099,760 square feet of Aeronautical Improved Land is available for lease for Commercial or Non-Commercial purposes. The following table, which utilizes the parcel names provided by Airport management, identifies the Aeronautical Improved Land and associated use(s):

Aeronautical Improved Land			
Area	Use	Lessee	Square Feet
B1-11	Commercial/Non-Commercial	N/A	251,244
B1-12	Commercial/Non-Commercial	N/A	546,039
B1-14	Commercial/Non-Commercial	N/A	78,358
B1-16	Commercial/Non-Commercial	N/A	1,149,553
B1-17	Commercial/Non-Commercial	N/A	74,565
WGA Undeveloped Land	Commercial	Atlantic Aviation	170,087
EGA Undeveloped Land	Commercial	Signature	140,048
		Total	2,409,895

4. Aeronautical Unimproved Land

There is approximately 3,734,668 square feet (85.74 acres) of Aeronautical Unimproved Land available for lease at the Airport for Commercial or Non-Commercial purposes. The following table, which utilizes the parcel names provided by Airport management, identifies the Aeronautical Unimproved Land and associated use(s):

Aeronautical Unimproved Land			
Area	Use	Lessee	Square Feet
C1-1	Commercial/Non-Commercial	N/A	231,392
C1-3	Commercial/Non-Commercial	N/A	388,058
C1-5	Commercial/Non-Commercial	N/A	399,154
C1-7	Commercial/Non-Commercial	N/A	394,432
C1-9	Commercial/Non-Commercial	N/A	389,710
C1-11	Commercial/Non-Commercial	N/A	384,988
C1-13	Commercial/Non-Commercial	N/A	380,266
C2-1	Commercial/Non-Commercial	N/A	480,951
C2-3	Commercial/Non-Commercial	N/A	208,588
C2-5	Commercial/Non-Commercial	N/A	267,870
C2-7	Commercial/Non-Commercial	N/A	209,262
		Total	3,734,668

The Aeronautical Unimproved Land classification is based upon the assumption that the City will provide airside access (to the Airport) from the properties by constructing a parallel taxiway east of Runway 17/35.

5. Hangar

There is approximately 129,225 square feet of Hangar space being leased from the City by Atlantic Aviation (approximately 52,825 square feet) and Signature (approximately 76,400 square feet) at the Airport. The following table identifies the Hangar space being leased by both FBOs utilizing Airport management's naming structure:

Hangar						
Area	Use	Lessee	Square Feet	Door		Construction Date
				Width	Height	
WGA H-1	Commercial	Atlantic Aviation	14,000	120	20	1962
WGA H-2	Commercial	Atlantic Aviation	14,000	120	20	1962
WGA H-3	Commercial	Atlantic Aviation	11,500	110	20	1980
WGA H-4	Commercial	Atlantic Aviation	13,325	60	14	1962
EGA H-1	Commercial	Signature	25,600	100	32	1962
EGA H-2	Commercial	Signature	15,000	90	22	1975
EGA H-3	Commercial	Signature	30,800	110 (2)	20 (2)	1982
EGA H-4	Commercial	Signature	5,000	60	20	~ 1980
		Total	129,225			

WGA H-1 (leased by Atlantic Aviation) is clear span, steel frame, metal hangar (roof, siding, and door) with a concrete floor with drains. The hangar tail door is out of service. WGA-H1 has fluorescent lighting, electrical service, and is considered to be average condition.

WGA H-2 (leased by Atlantic Aviation) is clear span, steel frame, metal hangar (roof, siding, and door) with a concrete floor with drains. The hangar tail door is out of service. WGA-H2 has a mix of halide and fluorescent lighting, electrical service, and is considered to be average condition.

WGA H-3 (leased by Atlantic Aviation) is clear span, steel frame, metal hangar (roof, siding, and door) with a concrete floor with drains. The hangar tail door is out of service. WGA-H3 has halide lighting, electrical service, and is considered to be average condition.

WGA H-4 (leased by Atlantic Aviation) is clear span, steel frame, metal hangar (roof, siding, and door) with a concrete floor with drains. WGA-H4 has fluorescent lighting, electrical service, and is considered to be fair condition. WGA-H4 is considered to be in fair condition due to the quality of doors, concrete floor, as well as interior and exterior finish.

EGA H-1 (leased by Signature) is a clear span, concrete shell structure with a metal door and concrete floor without drains. EGA-H1 has halide lighting, electrical service, and is considered to be average condition.

EGA H-2 (leased by Signature) is clear span, steel frame, metal hangar (roof, siding, and door) with a concrete floor with drains. EGA-H2 has halide lighting, electrical service, and is considered to be average condition.

EGA H-3 (leased by Signature) is a steel frame metal hangar (roof, siding, and door) with a concrete floor with drains. EGA-H3 has two doors which are 110 feet wide and 20 feet tall, halide lighting, electrical service, and is considered to be average condition.

EGA H-4 (leased by Signature) is clear span, steel frame, metal hangar (roof, siding, and door) with a concrete floor with drains, and concrete block fire-wall. EGA-H4 has halide lighting, electrical service, and is considered to be average condition.

6. General Aviation Terminal Building

There is approximately 8,005 square feet of General Aviation Terminal Building (GATB) space being leased from the City by Atlantic Aviation (approximately 3,105 square feet) and Signature (approximately 4,900 square feet) at the Airport. The following table identifies the GATB space being leased by both FBOs utilizing Airport management's naming structure:

General Aviation Terminal Buliding			
Area	Use	Lessee	Square Feet
WGA OF-1	Commercial	Atlantic Aviation	3,105
EGA OF-1	Commercial	Signature	4,900
		Total	8,005

WGA OF-1 (leased by Atlantic Aviation) is a steel structure with brick veneer and a metal roof. The interior is a combination of ceramic and vinyl tile and carpeted floors with painted drywall and carpeted walls, drywall ceiling, with fluorescent lighting. The building, which has central air conditioning, was constructed in 1962 and renovated in 2003. There is a common lobby/waiting area, restroom facilities, kitchen area, office spaces, conference room, pilot's lounge, and service counter/work area. The GATB is considered to be in good condition.

EGA OF-1 (leased by Signature) is a steel structure with metal exterior (roof and siding). The interior is a combination of ceramic tile and carpeted floors with painted and wallpapered drywall walls, acoustic ceiling, and integrated fluorescent lighting. The building, which has central air conditioning, was constructed in the 1990s and remodeled in 2000. There is a common lobby/waiting area, restroom facilities, kitchen area, office spaces, conference room, pilot's lounge, and service counter/work area. The GATB is considered to be in good condition.

7. Office (associated with Hangar)

There is approximately 29,480 square feet of Office space being leased from the City by Atlantic Aviation (approximately 9,280 square feet) and Signature (approximately 20,200 square feet) at the Airport. With the exception of EGA OF-4, all the Office space has central air conditioning. The following table identifies the Office space utilizing Airport management's naming structure:

Office			
Area	Use	Lessee	Square Feet
WGA OF-2	Commercial	Atlantic Aviation	4,680
WGA OF-3	Commercial	Atlantic Aviation	2,300
WGA OF-4	Commercial	Atlantic Aviation	2,300
EGA OF-2	Commercial	Signature	2,500
EGA OF-3	Commercial	Signature	5,000
EGA OF-4	Commercial	Signature	5,000
EGA OF-5	Commercial	Signature	5,700
EGA OF-6	Commercial	Signature	2,000
		Total	29,480

WGA OF-2 (leased by Atlantic Aviation) is a steel structure with metal exterior (roof and siding). The interior is a combination of vinyl tile, carpet, and concrete floors with painted drywall walls, acoustic and painted plywood ceiling, and fluorescent lighting. The office, which was constructed in 1962, is considered to be in average condition.

WGA OF-3 (leased by Atlantic Aviation) is a steel structure with metal roof and brick veneer exterior. The interior is a combination of ceramic tile, carpet, and concrete floors with painted drywall walls, acoustic ceiling, and fluorescent lighting. The office, which was constructed in 1962, is considered to be in average condition.

WGA OF-4 (leased by Atlantic Aviation) is a steel structure with metal exterior (roof and siding). The interior is a combination of ceramic tile, carpet, and concrete floors with

painted drywall walls, acoustic ceiling, and fluorescent lighting. The office, which was constructed in 1962, is considered to be in average condition.

EGA OF-2 (leased by Signature) is a concrete shell structure. The interior is a combination of vinyl tile, with painted drywall walls, acoustic ceiling, and fluorescent lighting. The office, which was constructed in 1962, is considered to be in average condition.

EGA OF-3 (leased by Signature) is a steel structure with metal exterior (roof and siding). The interior is a combination of painted concrete floors with painted drywall walls and ceiling and fluorescent lighting. The office, which was constructed in the 1975, is considered to be in average condition.

EGA OF-4 (leased by Signature) is a steel structure with metal exterior (roof and siding). The interior is a combination of concrete floors, unfinished walls, and fluorescent lighting. The office, which has no central air conditioning or heat, was constructed in 1975. The office is considered to be in average condition.

EGA OF-5 (leased by Signature) is a steel structure with metal exterior (roof and siding). The interior is a combination of vinyl tile and carpet with painted drywall walls, acoustic ceiling, and integrated fluorescent lighting. The office, which was constructed in 1982, is considered to be in average condition.

EGA OF-6 (leased by Signature) is a steel structure with metal exterior (roof and siding). The interior is a combination of ceramic tile, vinyl flooring, and concrete floors with painted drywall walls, acoustic ceiling, and integrated fluorescent lighting. The office, which was constructed in 1982, is considered to be in average condition.

8. Storage (associated with Hangar)

There is approximately 6,580 square feet of Storage space (associated with a Hangar) being leased from the City by Atlantic Aviation (approximately 4,680 square feet) and Signature (approximately 1,900 square feet) at the Airport. The following table identifies the Storage space (associated with a Hangar) utilizing Airport management's naming structure:

Storage			
Area	Use	Lessee	Square Feet
WGA OF-2	Commercial	Atlantic Aviation	4,680
EGA OF-5	Commercial	Signature	1,900
		Total	6,580

WGA OF-2 (leased by Atlantic Aviation) is a steel structure with metal exterior (roof and siding). The interior of the Storage space is unfinished with plywood floors and skylights. The Storage space, which is located on the second floor, was constructed in 1962 and is considered to be in average condition.

EGA OF-5 (leased by Signature) is a steel and concrete block structure with metal exterior (roof and siding). The interior of the Storage space is unfinished with concrete floors. The Storage space, which is located on the second floor, was constructed in the 1982 and is considered to be in average condition.

9. Apron (Asphalt and Concrete)

There is approximately 832,525 square feet of Apron space (concrete and asphalt) being leased from the City by Atlantic Aviation (approximately 354,765 square feet) and Signature (approximately 477,760 square feet) at the Airport. The following table identifies the Apron space (concrete and asphalt) utilizing Airport management's naming structure:

Apron				
Area	Use	Lessee	Square Feet	Type
WGA Apron	Commercial	Atlantic Aviation	466,514	Concrete
WGA Apron - FSF	Commercial	Atlantic Aviation	11,246	Concrete
EGA Apron	Commercial	Signature	354,765	Asphalt
		Total	832,525	

WGA Apron and the WGA Apron associated with the Fuel Storage Facility (FSF) are concrete, constructed in 2008, and considered to be in excellent condition.

EGA Apron is asphalt and is considered to be in average condition.

10. Vehicle Parking (Asphalt and Concrete)

There is approximately 148,589 square feet of Vehicle Parking space (concrete and asphalt) being leased from the City by Atlantic Aviation (approximately 61,823 square feet) and Signature (approximately 86,766 square feet) at the Airport. The following table identifies the Vehicle Parking space (concrete and asphalt) utilizing Airport management's naming structure:

Vehicle Parking				
Area	Use	Lessee	Square Feet	Type
WGA Vehicle Parking	Commercial	Atlantic Aviation	5,280	Concrete
	Commercial	Atlantic Aviation	56,543	Asphalt
EGA Vehicle Parking	Commercial	Signature	47,266	Concrete
	Commercial	Signature	39,500	Asphalt
		Total	148,589	

WGA Vehicle Parking consists of approximately 5,280 square feet of concrete and 56,543 square feet of asphalt. The WGA Vehicle Parking, which was constructed in 1962, is considered to be in average condition.

EGA Vehicle parking consists of approximately 47,266 square feet of concrete and 39,500 square feet of asphalt. The EGA Vehicle Parking is considered to be in average condition. The construction date of the EGA Vehicle Parking area is unknown.

11. Fuel Storage Facilities

There is approximately 86,500 gallons of fuel storage capacity (jet fuel, avgas, unleaded, and diesel) being leased from the City by Atlantic Aviation (approximately 34,500 gallons) and Signature (approximately 52,000 gallons) at the Airport. The following table identifies the Fuel Storage Facilities (jet fuel, avgas, unleaded, and diesel) utilizing Airport management's naming structure:

Fuel Storage Facilities (FSF)				
Area	Use	Lessee	Gallons	Type
WGA FSF	Commercial	Atlantic Aviation	24,000	Jet Fuel
	Commercial	Atlantic Aviation	10,000	Avgas
	Commercial	Atlantic Aviation	500	Unleaded
EGA FSF	Commercial	Signature	36,000	Jet Fuel
	Commercial	Signature	12,000	Avgas
	Commercial	Signature	2,000	Unleaded
	Commercial	Signature	2,000	Diesel
		Total	86,500	

The WGA Fuel Storage Facility is above ground and considered to be in average condition. Two 12,000 gallon Jet Fuel tanks were installed in 1998 and one 10,000 gallon Avgas tank and one 500 gallon Unleaded tank were installed in 2007.

The EGA Fuel Storage Facility is below ground and all of the tanks (three 12,000 gallon Jet Fuel tanks, one 12,000 gallon Avgas tank, one 2,000 gallon Unleaded tank, and one 2,000 gallon Diesel tank) were installed in 1962. Due to the below ground construction of the EGA Fuel Storage Facility, an opinion of condition was not derived.

VII. HIGHEST AND BEST USE

Highest and best use is defined as "the reasonable, probable, and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value."[5]

The highest and best use of land if vacant and available for use may be different from the highest and best use of improved property. This will be true when the improvement is not an appropriate use and yet makes a contribution to total property value in excess of the value of the site.

In estimating highest and best use of the site as if vacant and as improved, the uses are submitted to four different analyses. The analyses are:

a) Physically Possible Uses – Which proposed uses are physically possible to put on the subject site;
b) Legally Permissible Uses – Which of the possible uses are legally permissible by current or probable zoning and deed restrictions on the subject site;
c) Financially Feasible Uses – Of the selected uses based upon the prior criteria, which uses will produce a net return to the owner of the site;
d) Most Profitable Uses – Which of the economically feasible uses provides the highest net return or the highest present worth.

These tests are applied first to the land as if vacant and ready for development.

A. Physically Possible Uses

The first constraint imposed on the highest and best use of the Subject Properties is that dictated by the physical aspects of the site. In general, the larger the site, the greater the potential for achieving economies of scale and flexibility in development.

For the Subject Properties, the principle of conformity suggests the most logical uses would be aeronautical and aeronautical-related.

B. Legally Permissible

Generally, there are two types of legal restrictions applicable to property: private restrictions (deed restriction easements) and public restrictions (primarily zoning). The Appraiser was not provided with a title report for review. The Appraiser assumes there are no legal public

[5] The Appraisal of Real Estate, Ninth Edition, American Institute of Real Estate Appraisers, Chicago, Il., 1987.

or private deed restrictions which would impact the current or future improvements on the site with the following exceptions: the Subject Properties are zoned IH, Heavy Industrial and are also regulated under the Airport Zoning Ordinance of 1980 and therefore, the use must be in compliance with these requirements.

C. Financially Feasible and Most Profitable Uses

The Appraiser understands the Subject Properties will continue to be utilized as part of the Airport. Although land values indicate a use other than an airport use could be supported as the highest and best use, for the purposes of this analysis, the Appraiser has analyzed the Subject Properties as a part of the Airport without addressing the potential to redevelop the Subject Properties for a use other than an aeronautical or aeronautical-related. The Appraiser anticipates the Subject Properties will continue to operate as a part of the Airport over the long-term and therefore the most profitable uses would be aeronautical or aeronautical-related uses.

D. Highest and Best Use - As Vacant

Based upon the preceding analysis, the highest and best use of the Subject Properties, as vacant, would be for an aeronautical or aeronautical-related use. Allowed uses may be restricted under the legal constraints imposed by the IH Zone, the Airport Zoning Ordinance, and the FAA. The Appraiser has not addressed the redevelopment of the land for uses other than aeronautical or aeronautical-related.

E. Highest and Best Use - As Improved

Given the sizes of the various aeronautical improvements, the Appraiser anticipates the facilities would best be utilized for the servicing, maintenance, and/or storage of general aviation aircraft. As such, the existing building improvements provide a reasonable return to the land.

VIII. VALUATION

A. Introduction

In theory, there are three approaches to value: the Cost, Sales Comparison, and Income Approach. Central to each approach is the principle of substitution: an astute real estate investor will pay no more than the value of an equally desirable alternative property or investment.

The Cost Approach considers the current cost of replacing the building and site improvements on a property less depreciation plus the market value of the land assumed vacant. Depreciation affecting the property can occur from three sources: physical deterioration, functional obsolescence, and economic obsolescence. This approach is most effective in valuing relatively new (or even proposed) developments or special purpose properties such as the Subject Properties. This approach is included in the analysis due to the special purpose nature of the Subject Properties.

The Sales Comparison Approach involves direct comparisons of similar properties which have sold in the same or similar markets. The data from these comparables is then analyzed and adjustments are made for differences that are considered significant. These adjusted sales are then weighted to provide an indication of value. The Sales Comparison Approach is not a good indicator of value since sales of FBOs include business enterprise which is very difficult to separate from the real estate. As such, the Sales Comparison Approach was not considered appropriate or applicable to derive a value conclusion in this case.

The Income Approach is based upon an estimate of the Subject Property's possible net income and measures the present worth of anticipated future benefits derived from property ownership. In order to derive the anticipated future benefits, the net income is capitalized to arrive at an indication of value from the standpoint of an investment. By the use of the capitalization process, the net income is converted to its present value. Provision for the investor's recapture of invested capital, as well as return on capital, is built into this capitalization procedure. Typically, there are two methodologies for determining value by the Income Approach; the Direct Capitalization technique and Discounted Cash Flow. The

Discounted Cash Flow method is best suited for larger, multi-tenant properties with divergent leases since the income streams being generated can vary significantly from year to year.

After completing the various approaches to value, the methods utilized are then compared for appropriateness and applicability to the Subject Property. The quantity and quality of the data available for examination under each approach and the inherent dangers and advantages in each approach is considered and weighed to derive a final estimate of value. The process of evaluating the alternative conclusions is outlined in the Reconciliation Section of this report.

1. Ground Leasehold Analysis

Atlantic Aviation is on a month-to-month lease. Signature Aviation's lease is scheduled to terminate in 2012. Due to the short-tem nature of these leases, there is no measurable leasehold interest in either property.

Also, the B1, C1, and C2 land areas have not been leased; therefore, no leasehold interest exists.

B. Cost Approach

It is the Appraiser's opinion that the Cost Approach is appropriate and applicable in this case. A land valuation/sales analysis was not deemed necessary, however, as leasehold interest (as opposed to fee simple interest) is being appraised.

1. Replacement Cost of Improvements

In order to estimate a replacement cost for the subject improvements, the Marshall & Swift, Marshall Valuation Service (MVS) Publication, a national cost publication, was utilized. Additional indirect costs (permanent loan fees, property taxes during construction, etc.) which are not included in the MVS base cost were calculated separately. After adjusting for current and local multipliers, replacement costs range from $4.00 per square foot (psf) for Asphalt Apron and Vehicle Parking to $83.50 psf for General Aviation Terminal Building.

Indirect costs have been estimated based upon a survey of the marketplace. There are no interim real estate taxes since the property is exempt from property taxes.

Advertising/lease-up costs for WGA and EGA are estimated at $50,000. Permanent loan fees are estimated for WGA and EGA at $100,000. Legal, title insurance, and miscellaneous fees have been estimated at $150,000 for WGA and $140,000 for EGA.

Entrepreneurial profit has not been estimated given the airport-related nature of the subject improvements.

2. Estimate of Accrued Depreciation

Accrued depreciation is the difference between the cost of new improvements and the present value of those improvements measured as of the date of the appraisal. Depreciation includes loss in value from three basic categories: physical deterioration, functional obsolescence, and external obsolescence.

Physical deterioration is the loss in value caused by deterioration or impairment of condition as a result of normal wear and tear and the actual aging of the physical components. It may be curable or incurable. While it is the opinion of the Appraiser that there appears to be some limited curable physical depreciation in the Subject Properties, for the purposes of this analysis, no curable physical depreciation has been calculated.

Regarding the economic life, given the design and quality of the Subject Properties and based upon the age-life histories indicated in the MVS, it is the Appraiser's opinion that the Subject Properties have the following economic lives:

Subject Property	Economic Life
Hangar	35 years
General Aviation Terminal Building	45 years
Office (associated with Hangar)	40 years
Storage (associated with Hangar)	40 years
Concrete Apron	20 years
Asphalt Apron	15 years
Concrete Vehicle Parking	20 years
Asphalt Vehicle Parking	15 years
Fuel Storage Facility	20 years

Physical depreciation ranges from 25% to 88% depending upon the component of the Subject Properties. Please refer to the Depreciation Schedules that follow.

West General Aviation Area

Depreciation Schedule					
Building	Effective Age	Economic Life	Estimate Physical Depreciation	Replacement Cost (New)	Estimated Depreciation
WGA H-1	30	35	86%	$ 516,320	$ 444,035
WGA H-2	30	35	86%	$ 516,320	$ 444,035
WGA H-3	25	35	71%	$ 427,225	$ 303,330
WGA H-4	30	35	86%	$ 483,431	$ 415,751
WGA OF-1	15	45	33%	$ 259,268	$ 85,558
WGA OF-2	35	40	88%	$ 258,991	$ 227,912
WGA OF-3	35	40	88%	$ 131,905	$ 116,076
WGA OF-4	35	40	88%	$ 130,755	$ 115,064
WGA OF-2 Storage	35	40	88%	$ 95,893	$ 84,386
WGA Apron - Concrete	3	20	15%	$ 3,732,112	$ 559,817
WGA Apron - FSF	3	20	15%	$ 89,968	$ 13,495
WGA Parking - Concrete	10	20	50%	$ 26,400	$ 13,200
WGA Parking - Asphalt	10	15	67%	$ 226,172	$ 151,535
WGA FSF	10	20	50%	$ 180,000	$ 90,000
	5	20	25%	$ 75,000	$ 18,750
	5	20	25%	$ 3,750	$ 938
			Total	**$ 7,153,510**	**$ 3,083,883**

East General Aviation Area

Depreciation Schedule					
Building	Effective Age	Economic Life	Estimate Physical Depreciation	Replacement Cost (New)	Estimated Depreciation
EGA H-1	30	35	86%	$ 1,003,520	$ 863,027
EGA H-2	30	35	86%	$ 600,450	$ 516,387
EGA H-3	20	35	57%	$ 1,069,684	$ 609,720
EGA H-4	20	35	57%	$ 188,750	$ 107,588
EGA OF-1	10	35	29%	$ 396,557	$ 115,002
EGA OF-2	35	45	78%	$ 206,775	$ 161,285
EGA OF-3	30	40	75%	$ 251,550	$ 188,663
EGA OF-4	30	40	75%	$ 251,550	$ 188,663
EGA OF-5	25	40	63%	$ 286,767	$ 180,663
EGA OF-6	25	40	63%	$ 110,680	$ 69,728
EGA OF-5 Storage	25	40	63%	$ 38,931	$ 24,527
EGA Apron - Asphalt	10	15	67%	$ 1,419,060	$ 950,770
EGA Parking - Concrete	10	20	50%	$ 236,330	$ 118,165
EGA Parking - Asphalt	10	15	67%	$ 158,000	$ 105,860
EGA FSF****	10	20	50%	$ 270,000	$ 135,000
	10	20	50%	$ 90,000	$ 45,000
	10	20	50%	$ 15,000	$ 7,500
	10	20	50%	$ 15,000	$ 7,500
			Total	**$ 6,608,604**	**$ 4,395,046**

Functional obsolescence is the adverse effect on value resulting from defects in design which may impair utility. It can be caused by changes occurring over the years making some aspect of the structure, material, or design obsolete by current standards.

External obsolescence is the adverse effect on value resulting from influences outside (or beyond) the property itself. This includes changing property or land use patterns, shifting zoning districts, or adverse economic climate. Economic impact (or obsolescence) is measured by the difference between a return on cost and estimated net operating income. While it is the opinion of the Appraiser that there appears to be some limited functional and external obsolescence in the Subject Properties, for the purposes of this analysis, no obsolescence has been calculated.

3. *Cost Approach Summary*

West General Aviation Area

COST APPROACH SUMMARY

DIRECT COSTS				
Component	Square Feet	Gallons	Cost per Unit	Total Cost
WGA H-1*	14,000	-	$ 36.88	$ 516,320
WGA H-2*	14,000	-	$ 36.88	$ 516,320
WGA H-3*	11,500	-	$ 37.15	$ 427,225
WGA H-4*	13,325	-	$ 36.28	$ 483,431
WGA OF-1**	3,105	-	$ 83.50	$ 259,268
WGA OF-2**	4,680	-	$ 55.34	$ 258,991
WGA OF-3**	2,300	-	$ 57.35	$ 131,905
WGA OF-4**	2,300	-	$ 56.85	$ 130,755
WGA OF-2 Storage*	4,680	-	$ 20.49	$ 95,893
WGA Apron - Concrete***	466,514	-	$ 8.00	$ 3,732,112
WGA Apron - FSF***	11,246	-	$ 8.00	$ 89,968
WGA Parking - Concrete***	5,280	-	$ 5.00	$ 26,400
WGA Parking - Asphalt***	56,543	-	$ 4.00	$ 226,172
WGA FSF****	-	24,000	$ 7.50	$ 180,000
	-	10,000	$ 7.50	$ 75,000
	-	500	$ 7.50	$ 3,750
Total Direct Building and Site Improvement Costs				**$ 7,153,510**

INDIRECT COSTS	
Component	Cost
Interim Real Estate Taxes	$ -
Advertising/Lease up Costs	$ 50,000
Permanent Loan Fees	$ 100,000
Legal, Title Insurance, and Misc. Fees	$ 150,000
Total Indirect Costs	**$ 300,000**

Total Direct and Indirect Costs	**$ 7,453,510**

LESS: DEPRECIATION	
Component	Cost
Physical (see Depreciation Schedule)	$ 3,083,883
Functional	$ -
External	$ -
Total Depreciation	**$ 3,083,883**

Depreciated Replacement Cost	**$ 4,369,627**

ADD: LEASEHOLD VALUE FOR LAND	**$ -**

INDICATED VALUE BY THE COST APPROACH	**$ 4,369,627**

ROUNDED:	**$ 4,250,000**

* Marshall Valuation Service, Section 14, Page 29.
** Marshall Valuation Service, Section 15, Page 17.
*** Marshall Valuation Service, Section 66, Page 3.
**** Marshall Valuation Service, Section 61, Page 4.

East General Aviation Area

COST APPROACH SUMMARY

DIRECT COSTS				
Component	Square Feet	Gallons	Cost per Unit	Total Cost
EGA H-1*	25,600	-	$ 39.20	$ 1,003,520
EGA H-2*	15,000	-	$ 40.03	$ 600,450
EGA H-3*	30,800	-	$ 34.73	$ 1,069,684
EGA H-4*	5,000	-	$ 37.75	$ 188,750
EGA OF-1**	4,900	-	$ 80.93	$ 396,557
EGA OF-2**	2,500	-	$ 82.71	$ 206,775
EGA OF-3**	5,000	-	$ 50.31	$ 251,550
EGA OF-4**	5,000	-	$ 50.31	$ 251,550
EGA OF-5**	5,700	-	$ 50.31	$ 286,767
EGA OF-6**	2,000	-	$ 55.34	$ 110,680
EGA OF-5 Storage*	1,900	-	$ 20.49	$ 38,931
EGA Apron - Asphalt***	354,765	-	$ 4.00	$ 1,419,060
EGA Parking - Concrete***	47,266	-	$ 5.00	$ 236,330
EGA Parking - Asphalt***	39,500	-	$ 4.00	$ 158,000
EGA FSF****	-	36,000	$ 7.50	$ 270,000
	-	12,000	$ 7.50	$ 90,000
	-	2,000	$ 7.50	$ 15,000
	-	2,000	$ 7.50	$ 15,000
Total Direct Building and Site Improvement Costs				**$ 6,608,604**

INDIRECT COSTS	
Component	Cost
Interim Real Estate Taxes	$ -
Advertising/Lease up Costs	$ 50,000
Permanent Loan Fees	$ 100,000
Legal, Title Insurance, and Misc. Fees	$ 140,000
Total Indirect Costs	**$ 290,000**

Total Direct and Indirect Costs	**$ 6,898,604**

LESS: DEPRECIATION	
Component	Cost
Physical (see Depreciation Schedule)	$ 4,395,046
Functional	$ -
External	$ -
Total Depreciation	**$ 4,395,046**

Depreciated Replacement Cost	**$ 2,503,558**

ADD: LEASEHOLD VALUE FOR LAND	**$ -**

INDICATED VALUE BY THE COST APPROACH	**$ 2,503,558**

ROUNDED:	**$ 2,500,000**

* Marshall Valuation Service, Section 14, Page 29.
** Marshall Valuation Service, Section 15, Page 17.
*** Marshall Valuation Service, Section 66, Page 3.
**** Marshall Valuation Service, Section 61, Page 4.

C. Income Approach

The Income Approach to real property value considers a relationship between the estimated net income the property could generate and the sale price or value. This net income is translated into a value estimate using a market driven capitalization rate appropriate to meet the market demands for investment returns. The two commonly used capitalization methods are the Direct Capitalization and Discounted Cash Flow analysis. These methods are summarized, as follows.

> Direct Capitalization is "used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor."[6]
>
> Discounted Cash Flow analysis is “the procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams as well as the quantity and timing of the reversion and discounts each to its present value at a specified yield rate."[7]

Under the Income Approach, leasehold interest is dictated by market rent which is the rental income the Subject Properties would likely command in the open market.

As such, the Direct Capitalization approach finds application in this case and the Discounted Cash Flow analysis does not.

1. Rental Discussion

In order to estimate market income potential, AMCG conducted a survey of: (a) comparable airports located throughout the United States, (b) comparable Small Hub airports located in Texas and surrounding states, and (c) competitive airports located within 50 nautical miles of the Airport. AMCG also considered information contained in its proprietary database for regional and national airports as a supplement to the results of the survey and as a validation of the conclusions reached.

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6 The Dictionary of Real Estate Appraisal, Third Edition, Appraisal Institute, 1993, Page 100.
7 Ibid. Page 102.

2. Study Findings

In order to derive the market rent for the Subject Properties, information/data from similar properties at national, regional, comparable, Small Hub, and competitive airports was analyzed. The results of the analysis are summarized in this section. Definitions of the Minimum, Maximum, Mean, Standard Deviation, Median, and Range (utilized in the following tables) are provided in the Appendix section of this report.

a. National Data

As a supplement to the comparable airport data, rents obtained from over 350 airports located throughout the United States were analyzed. A summary and statistical analysis of the findings for national airports is provided in the following table.

National Airport Data							
Type	Component	Minimum	Maximum	Mean	Standard Deviation	Median	Range
Aeronautical	Improved Land (Commercial)	0.009	1.190	0.240	0.187	0.198	1.181
Aeronautical	Improved Land (Non-Commercial)	0.050	0.790	0.262	0.147	0.225	0.740
Aeronautical	Unimproved Land (Commercial)	0.010	0.503	0.165	0.109	0.140	0.493
Aeronautical	Unimproved Land (Non-Commercial)	0.020	0.740	0.220	0.156	0.140	0.720
Non-Aeronautical	Improved Land (Commercial)	0.210	0.450	0.315	0.091	0.320	0.240
Non-Aeronautical	Improved Land (Non-Commercial)	0.098	0.720	0.315	0.277	0.222	0.622
Non-Aeronautical	Unimproved Land (Commercial)	0.040	1.000	0.520	0.679	0.520	0.960
Non-Aeronautical	Unimproved Land (Non-Commercial)	0.040	0.040	0.040	N/A	0.040	0.000
Aeronautical	Hangar	0.008	6.050	1.768	1.679	1.208	6.042
Aeronautical	General Aviation Terminal Building	0.070	10.210	4.532	3.064	3.900	10.140
Aeronautical	Office (associated with Hangar)	0.100	27.760	6.756	6.004	4.500	27.660
Aeronautical	Storage (associated with Hangar)	0.240	11.070	2.500	3.221	1.055	10.830
Aeronautical	Concrete Apron	0.030	0.850	0.259	0.205	0.260	0.820
Aeronautical	Asphalt Apron	0.050	1.070	0.345	0.285	0.240	1.020
Aeronautical	Concrete Vehicle Parking	1.330	2.650	1.990	0.933	1.990	1.320
Aeronautical	Asphalt Vehicle Parking	0.115	0.650	0.262	0.183	0.180	0.535

All rental rates are “per square foot per year” (psf/yr)

b. Regional Data

As an additional supplement to the comparable airport data, rents obtained from 33 airports in the FAA Southwestern Region (consisting of Arkansas, Louisiana, Texas, New Mexico, Oklahoma) were analyzed. A summary and statistical analysis of the findings for regional airports is provided in the following table.

Regional Airport Data							
Type	Component	Minimum	Maximum	Mean	Standard Deviation	Median	Range
Aeronautical	Improved Land (Commercial)	0.010	0.580	0.189	0.124	0.150	0.570
Aeronautical	Improved Land (Non-Commercial)	0.050	0.480	0.240	0.149	0.220	0.430
Aeronautical	Unimproved Land (Commercial)	0.045	0.400	0.176	0.114	0.140	0.355
Aeronautical	Unimproved Land (Non-Commercial)	0.030	0.385	0.153	0.136	0.116	0.355
Non-Aeronautical	Improved Land (Commercial)	0.210	0.210	0.210	N/A	0.210	0.000
Non-Aeronautical	Improved Land (Non-Commercial)	N/A	N/A	N/A	N/A	N/A	N/A
Non-Aeronautical	Unimproved Land (Commercial)	N/A	N/A	N/A	N/A	N/A	N/A
Non-Aeronautical	Unimproved Land (Non-Commercial)	N/A	N/A	N/A	N/A	N/A	N/A
Aeronautical	Hangar	0.100	3.860	1.395	1.100	1.137	3.760
Aeronautical	General Aviation Terminal Building	0.227	10.210	6.354	3.786	7.315	9.983
Aeronautical	Office (associated with Hangar)	0.100	8.000	3.696	2.636	3.500	7.900
Aeronautical	Storage (associated with Hangar)	0.066	10.000	3.118	3.585	2.100	9.934
Aeronautical	Concrete Apron	0.030	0.300	0.103	0.100	0.060	0.270
Aeronautical	Asphalt Apron	0.089	0.650	0.256	0.207	0.193	0.561
Aeronautical	Concrete Vehicle Parking	N/A	N/A	N/A	N/A	N/A	N/A
Aeronautical	Asphalt Vehicle Parking	0.140	0.140	0.140	N/A	0.140	0.000

All rental rates are “per square foot per year” (psf/yr)

c. Comparable Airport Data

Rental rates and related information from 12 airports considered comparable to the Subject Airport (identified in this section) were obtained and analyzed.

- Bradley International Airport (BDL) – Windsor Locks, CT
- Charleston International Airport (CHS) – Charleston, SC
- Gerald R. Ford International Airport (GRR) – Grand Rapids, MI
- Key Field Airport (MEI) – Meridian, MS
- Lubbock Preston Smith International Airport (LBB) – Lubbock, TX
- Midland International Airport (MAF) – Midland, TX
- Mobile Regional Airport (MOB) – Mobile, AL
- Newport News/Williamsburg International Airport (PHF) – Newport News, VA
- Piedmont Triad International Airport (GSO) – Greensboro, NC
- Port Columbus International Airport (CMH) – Columbus, OH
- Syracuse Hancock International Airport (SYR) – Syracuse, NY
- Tallahassee Regional Airport (TLH) – Tallahassee, FL

The following table provides a summary and statistical analysis of the findings for the comparable airports.

Comparable Airport Data							
Type	Component	Minimum	Maximum	Mean	Standard Deviation	Median	Range
Aeronautical	Improved Land (Commercial)	0.011	0.900	0.359	0.245	0.305	0.889
Aeronautical	Improved Land (Non-Commercial)	0.160	0.900	0.542	0.269	0.600	0.740
Aeronautical	Unimproved Land (Commercial)	N/A	N/A	N/A	N/A	N/A	N/A
Aeronautical	Unimproved Land (Non-Commercial)	N/A	N/A	N/A	N/A	N/A	N/A
Non-Aeronautical	Improved Land (Commercial)	N/A	N/A	N/A	N/A	N/A	N/A
Non-Aeronautical	Improved Land (Non-Commercial)	N/A	N/A	N/A	N/A	N/A	N/A
Non-Aeronautical	Unimproved Land (Commercial)	N/A	N/A	N/A	N/A	N/A	N/A
Non-Aeronautical	Unimproved Land (Non-Commercial)	N/A	N/A	N/A	N/A	N/A	N/A
Aeronautical	Hangar	0.250	2.710	0.996	0.775	0.920	2.460
Aeronautical	General Aviation Terminal Building	7.475	10.210	8.843	1.934	8.843	2.735
Aeronautical	Office (associated with Hangar)	0.250	5.250	2.750	3.536	2.750	5.000
Aeronautical	Storage (associated with Hangar)	0.480	2.220	1.350	1.230	1.350	1.740
Aeronautical	Concrete Apron	0.310	0.840	0.625	0.232	0.675	0.530
Aeronautical	Asphalt Apron	0.310	2.650	1.075	0.972	0.750	2.340
Aeronautical	Concrete Vehicle Parking	1.330	2.650	1.990	0.933	1.990	1.320
Aeronautical	Asphalt Vehicle Parking	0.140	0.140	0.140	N/A	0.140	0.000

All rental rates are “per square foot per year” (psf/yr)

d. Competitive Airport Data

Typically, an airport is considered competitive if it: (a) is located in relatively close proximity, (b) has similar infrastructure, (c) offers similar products, services, and facilities, and (d) has similar activity levels (i.e., aircraft operations, based aircraft, and fuel volumes).

For the purposes of this study, airports within 50 nautical miles of the Subject Airport were identified as being potentially competitive airports. Although none were Small Hub Primary Commercial Service Airports, a total of seven airports were considered, as follows:

- Alfred C. ”Bubba” Thomas Airport (T69) – Sinton, TX
- Alice International Airport (ALI) – Alice, TX
- Aransas County Airport (RKP) – Rockport, TX
- Beeville Municipal Airport (BEA) – Beeville, TX
- Brooks County Airport (BKS) – Falfurrias, TX
- Kleberg County Airport (IKG) – Kingsville, TX
- T.P. McCampbell Airport (TFP) – Ingleside, TX

The following table identifies the key criteria utilized to make this assessment.

	CRP	RKP	IKG	T69	TFP	ALI	BEA	BKS
City	CORPUS CHRISTI	ROCKPORT	KINGSVILLE	SINTON	INGLESIDE	ALICE	BEEVILLE	FALFURRIAS
Tower	Yes	No	No	No	No	No	No	No
Acreage	2,457	600	295	186	231	556	391	169
Longest Runway	7,508	5,608	6,000	4,323	5,000	5,997	4,551	6,002
Local GA Operations	1,324	16,500	4,000	6,400	7,400	4,400	3,000	600
Itinerant GA Operations	21,996	33,000	2,000	3,200	3,700	2,200	1,500	4,500
Total Based Aircraft	78	66	14	39	23	7	13	1
Last Inspection Date (5010)	07/16/09	03/04/11	03/20/11	03/05/11	03/04/11	03/05/11	03/04/11	03/20/11

For these airports, the data is depicted for the most recently reported 12 month cycle (as indicated in the table) – not per calendar year. As previously indicated (in the Aircraft Operations and Based Aircraft sections of this report), total aircraft operations and based aircraft for the Subject Airport are depicted as of December 31, 2010 (as reported by Airport management and/or the FAA TAF).

No relevant and/or useable information pertaining to the Subject Properties from the competitive airports was obtained.

e. Small Hub Primary Commercial Service Airports

In addition to the competitive airport analysis, the following Small Hub Primary Commercial Service airports located in Texas and surrounding states (Arkansas, Louisiana, New Mexico, and Oklahoma) were considered comparable:

- Adams Field Airport (LIT) – Little Rock, AR
- Baton Rouge Metropolitan Airport (BTR) – Baton Rouge, LA
- El Paso International Airport (ELP) – El Paso, TX
- McAllen-Miller International Airport (MFE) – McAllen, TX
- Midland International Airport (MAF) – Midland, TX

- Northwest Arkansas Regional Airport (XNA) – Fayetteville/Springdale, AR
- Rick Husband Amarillo International Airport (AMA) – Amarillo, TX
- Tulsa International Airport (TUL) – Tulsa, OK
- Valley International Airport (HRL) – Harlingen, TX
- Will Rogers World Airport (OKC) – Oklahoma City, OK

Rental rates and related information from nine Small Hub airports considered comparable to the Subject Airport was obtained and analyzed. The following table provides a summary and statistical analysis of the findings for the Small Hub airports.

Small Hub Airport Data							
Type	Component	Minimum	Maximum	Mean	Standard Deviation	Median	Range
Aeronautical	Improved Land (Commercial)	0.050	0.340	0.169	0.098	0.149	0.290
Aeronautical	Improved Land (Non-Commercial)	0.130	0.240	0.193	0.057	0.210	0.110
Aeronautical	Unimproved Land (Commercial)	N/A	N/A	N/A	N/A	N/A	N/A
Aeronautical	Unimproved Land (Non-Commercial)	N/A	N/A	N/A	N/A	N/A	N/A
Non-Aeronautical	Improved Land (Commercial)	N/A	N/A	N/A	N/A	N/A	N/A
Non-Aeronautical	Improved Land (Non-Commercial)	N/A	N/A	N/A	N/A	N/A	N/A
Non-Aeronautical	Unimproved Land (Commercial)	N/A	N/A	N/A	N/A	N/A	N/A
Non-Aeronautical	Unimproved Land (Non-Commercial)	N/A	N/A	N/A	N/A	N/A	N/A
Aeronautical	Hangar	0.300	2.400	1.049	0.836	0.940	2.100
Aeronautical	General Aviation Terminal Building	N/A	N/A	N/A	N/A	N/A	N/A
Aeronautical	Office (associated with Hangar)	N/A	N/A	N/A	N/A	N/A	N/A
Aeronautical	Storage (associated with Hangar)	0.658	0.658	0.658	N/A	0.658	0.000
Aeronautical	Concrete Apron	0.020	0.130	0.075	0.078	0.075	0.110
Aeronautical	Asphalt Apron	0.020	0.725	0.253	0.319	0.133	0.705
Aeronautical	Concrete Vehicle Parking	N/A	N/A	N/A	N/A	N/A	N/A
Aeronautical	Asphalt Vehicle Parking	N/A	N/A	N/A	N/A	N/A	N/A

All rental rates are “per square foot per year” (psf/yr)

f. Non-Aeronautical Land

To derive conclusions for Non-Aeronautical use Land (including Improved and Unimproved land), a survey of land sales and listings in the Corpus Christi area was conducted. A summary of the sales and listing data is provided in this section. It is significant to note there is a substantial amount of land currently available in the market which has an adverse impact the supply/demand ratio. While demand appears to be increasing slightly, land sale values have remained fairly low over the past three years.

Land Sales and Listings Summary					
Location	**Sale Date**	**Sale Price**	**Zoning**	**Size**	**Price per SF**
SWC Bear Lane and Navigation Boulevard	07/2008	$405,625	I-2	324,522 SF (7.45 acres)	$1.25
E/S Cliff Maws Drive 600 feet S/O Bear Lane	01/2010	$221,500	I-2	161,360 SF (3.70 acres)	$1.37
W/S Navigation Boulevard 90 feet NW Old Brownsville Road	Listing	$162,000	I-2	108,464 SF (2.49 acres)	$1.49
SEC NPID and Bates Road	Listing	$1,989,780	I-2/B-4 A-2	1,333,372 SF (30.61 acres)	$1.49
4822 Bear Lane	03/2009	$174,999	I-2	534,481 SF (12.27 acres)	$0.33
Highway 44 and Clarkwood Road	Listing	$261,360	Commercial	144,184 SF (3.31 acres)	$1.81
Highway 44 and Agnes Street	Listing	$290,000	Commercial	144,184 SF (3.31 acres)	$2.01

3. Market Rent Summary

a. Market Rent Conclusions (By Component)

The following table identifies the base market rental rate conclusions for the Subject Properties (by component). The following market rental rate conclusions are based upon the analysis of the Subject Properties and the rents being charged for similar properties at national, regional, comparable, Small Hub, and competitive airports.

Subject Properties	Base Rental Rates
Component	**Conclusion**
Non-Aeronautical Improved Land	$0.080 - $0.120
Non-Aeronautical Unimproved Land	$0.050 - $0.060
Aeronautical Improved Land (Commercial)	$0.275
Aeronautical Improved Land (Non-Commercial)	$0.300
Aeronautical Unimproved Land (Commercial)	$0.175
Aeronautical Unimproved Land (Non-Commercial)	$0.200
Hangar	$1.500
General Aviation Terminal Building	$6.000
Office (associated with Hangar)	$6.250
Storage (associated with Hangar)	$1.250
Asphalt Apron	$0.325
Concrete Apron	$0.350
Asphalt Vehicle Parking	$0.300
Concrete Vehicle Parking	$0.300
Fuel Storage Facility	$0.750

All rental rates (excluding the Fuel Storage Facility) are “per square foot per year” (psf/yr)
Rental rates for the Fuel Storage Facility are “per gallon of capacity per year” (pg/yr)

Non-Aeronautical Land

The results of the study indicate land sales/listings in the area range from $0.330 psf to $2.010 psf. It is significant to note that the parcels studied do not have immediate access to the Airport; however, the land is located within reasonable proximity to the Airport.

To derive rental rate conclusions for Non-Aeronautical use Land, the following areas were analyzed:

1. Zoning – five of the land sales/listings are zoned IH (Heavy Industrial); two are zoned for commercial uses. The sales/listings located closest to the Airport are zoned commercial.
2. Size – it is significant to note as size increases, the unit rate generally decreases, although, this not always the case. It is the Appraiser’s opinion that land sales/listings located closest to the main entrance to the Airport (e.g., B1-10, B1-13, etc.) are more valuable than those parcels located to the east of the Airport’s main entrance (e.g., C1-2, C1-4, etc.)
3. Utilities – (B1 land has utilities in place and is classified as Improved Non-Aeronautical Land. C1 and C2 land do not have utilities in place and are classified as Unimproved Non-Aeronautical Land).

Airport land, utilized for aeronautical or non-aeronautical purposes, demonstrate only partial rights of ownership as the lessee does not have fee simple rights. The lessor has the right to receive income during a certain period of time, but gives up the right of the use of the land during the time of the lease. On a fee simple basis (i.e., for off-airport land), all property rights are included with the land. Airport land is restricted to certain types of uses, by 14 CFR Part 77 requirements and subject to additional restrictions of the Airport sponsor. Based upon the Appraiser's experience analyzing land sales/listings for non-aeronautical use of airport land, it is the Appraiser's opinion that a discount of 40% to 60% of value is appropriate for Airport versus off-airport land. As such, for purposes of this analysis, a discount of 50% was applied to off-airport land sales/listings.

Finally, a rate of return is necessary to establish a rental rate based upon off-airport land sales/listings. The rate of return is applied to the discount value (psf) to determine a rental rate (psf). A survey of airports revealed the following rate of return expectations.

Rates of Return	
Airport	**Rate of Return**
Hartsfield-Jackson Atlanta International Airport (ATL)	9.0%
Chicago O'Hare International Airport (ORD)	10.0%
Dallas/Fort Worth International Airport (DFW)	9.0% - 10.0%
McCarran International Airport (LAS)	10.0%
Los Angeles International Airport (LAX)	8.0% - 9.0%
Houston/George Bush Intercontinental Airport (IAH)	10.0%
Minneapolis-St. Paul International Airport (MSP)	10.0%
Orlando International Airport (MCO)	10.0%
Seattle-Tacoma International Airport (SEA)	9.5% - 10.0%
Philadelphia International Airport (PHL)	8.5%
Long Beach/Daugherty Field (LGB)	8.5%
Norman Y. Mineta San Jose International Airport (SJC)	10.0%
Metropolitan Oakland International Airport (OAK)	8.0%
Sacramento International Airport (SMF)	10.0%
San Francisco International Airport (SFO)	6.0%
Honolulu International Airport (HNL)	7.0%
John Wayne Airport-Orange County (SNA)	10.0%
San Diego International Airport (SAN)	8.5%

As indicated, rate of return expectations range from 6% to 10% with most in the range of 8% to 10%. It is significant to note that at Dallas/Fort Worth International Airport, a rate of return of 9% to 10% is utilized and at Houston/George Bush Intercontinental Airport, a rate of return of 10% is utilized. It is the Appraiser's opinion that a rate of return toward the lower end of the range is reasonable and appropriate for the Subject Airport.

Predicated upon the preceding criteria the following conclusions were derived.

Non-Aeronautical Land					Rental Rate
Parcel	Type	Off-airport Base Value	Adjustments		Conclusion
			Discount	Rate of Return	
B1-1	Improved	$2.00	50%	8%	$0.080
B1-2	Improved	$2.00	50%	8%	$0.080
B1-3	Improved	$2.50	50%	8%	$0.100
B1-4	Improved	$3.00	50%	8%	$0.120
B1-5	Improved	$2.75	50%	8%	$0.110
B1-6	Improved	$2.50	50%	8%	$0.100
B1-7	Improved	$3.00	50%	8%	$0.120
B1-8	Improved	$2.50	50%	8%	$0.100
B1-9	Improved	$2.50	50%	8%	$0.100
B1-10	Improved	$3.00	50%	8%	$0.120
B1-13	Improved	$2.75	50%	8%	$0.110
B1-15	Improved	$2.75	50%	8%	$0.110
C1-2	Unimproved	$1.50	50%	8%	$0.060
C1-4	Unimproved	$1.25	50%	8%	$0.050
C1-6	Unimproved	$1.25	50%	8%	$0.050
C1-8	Unimproved	$1.25	50%	8%	$0.050
C1-10	Unimproved	$1.25	50%	8%	$0.050
C1-12	Unimproved	$1.25	50%	8%	$0.050
C1-14	Unimproved	$1.25	50%	8%	$0.050
C2-2	Unimproved	$1.25	50%	8%	$0.050
C2-4	Unimproved	$1.25	50%	8%	$0.050
C2-6	Unimproved	$1.25	50%	8%	$0.050
C2-8	Unimproved	$1.25	50%	8%	$0.050

The leasehold size for these properties may change. However, the parcels were analyzed based upon a maximum of 1 million square feet. Parcels with square footage greater than 1 million square feet exhibit a differential (approximately 10% discount) based upon size.

Aeronautical Improved Land (Commercial)

The results of the study indicate that average rental rates for Aeronautical Improved Land (Commercial) range from $0.170 psf/yr at Small Hub airports to $0.360 psf/yr at comparable airports. The average rental rate at regional airports was $0.190 psf/yr and $0.240 psf/yr at national airports.

The calculated midpoint and weighted average between comparable, Small Hub, regional, and national airports was $0.240 psf/yr. Giving consideration to the comparable average rental rate ($0.360 psf/yr), a base rental rate of $0.275 psf/yr was derived.

The average size of Aeronautical Improved Land (Commercial) in the national database is approximately 200,000 square feet. Parcels with less square footage than the national average do not exhibit a differential based upon size. Parcels with square footage greater than 1 million square feet exhibit a significant rent differential (approximately 20% discount) based upon size.

Utilizing the base rental rate and discount for size, the following conclusions were derived:

Aeronautical Improved Land (Commercial)	Rental Rate
Square Feet Conclusions	**Conclusion**
0 – 200,000 square feet	$0.275
200,000 – 1,000,000 square feet	$0.250
Greater than 1,000,000 square feet	$0.225

The leasehold size and use of certain B1 parcels (including B1-11, B1-12, B1-14, B1-16, and B1-17) may change. As such, the rent per square foot for each parcel may change as well. However, the rent per square foot conclusions derived for the B1 properties is presented in the preceding Aeronautical Improved Land (Commercial) Conclusions table.

Predicated upon the leasehold size of the WGA Undeveloped Land and EGA Undeveloped Land, a rent per parcel for each of these properties can be determined. An adjustment for size was not deemed necessary. The base rental rate of $0.275 psf/yr was utilized (consistent with the Aeronautical Improved Land – Commercial Square Feet Conclusions table) and a premium of 10% was applied to the base rental rate for superior location to derive a conclusion of $0.300 psf/yr.

Aeronautical Improved Land (Non-Commercial)

The results of the study indicate that average rental rates for Aeronautical Improved Land (Non-Commercial) range from $0.190 psf/yr at Small Hub airports to $0.540 psf/yr at comparable airports. The average rental rate at regional airports was $0.240 psf/yr and $0.260 psf/yr at national airports.

The calculated midpoint between comparable, Small Hub, regional, and national airports was $0.340 psf/yr and the weighted average was $0.270 psf/yr. Due to the limited data available from comparable and Small Hub airports, a base rental rate of $0.300 psf/yr was derived.

The leasehold size and use of certain B1 parcels (including B1-11, B1-12, B1-14, B1-16, and B1-17) may change. As such, the rent per square foot for each parcel may change as well. However, a discount for size was applied to the base rental rate to derive the following conclusions:

Aeronautical Improved Land (Non-Commercial)	Rental Rate
Square Feet Conclusions	**Conclusion**
0 – 200,000 square feet	$0.300
200,000 – 1,000,000 square feet	$0.275
Greater than 1,000,000 square feet	$0.250

Aeronautical Unimproved Land (Commercial)

The results of the study indicate that average rental rates for Aeronautical Unimproved Land (Commercial) range from $0.170 psf/yr at national airport to $0.180 psf/yr at regional airports. It is significant to note that useable rental rates for Aeronautical Unimproved Land (Commercial) were not available from comparable and Small Hub airports.

The average between the regional and national airports was $0.175 psf/yr. Due to the limited data available from comparable and Small Hub airports, a base rental rate of $0.175 psf/yr was derived.

Utilizing the base rental rate and discount for size (identified for Aeronautical Improved Land – Commercial), the following conclusions were derived:

Aeronautical Unimproved Land (Commercial)	Rental Rate
Square Feet Conclusions	**Conclusion**
0 – 200,000 square feet	$0.175
200,000 – 1,000,000 square feet	$0.150
Greater than 1,000,000 square feet	$0.125

The leasehold size and use of certain C1 and C2 parcels (including C1-1, C1-3, C1-5, C1-7, C1-9, C1-11, C1-13, C2-1, C2-3, C2-5, and C2-7) may change. As such, the rent per square foot for each parcel may change as well. However, rent per square foot conclusions are presented in the preceding Aeronautical Unimproved Land (Commercial) Conclusions table.

Aeronautical Unimproved Land (Non-Commercial)

The results of the study indicate that average rental rates for Aeronautical Unimproved Land (Non-Commercial) range from $0.150 psf/yr at regional airports to $0.220 psf/yr at national airports. It is significant to note that useable rental rates for Aeronautical Unimproved Land (Non-Commercial) were not available from comparable and Small Hub airports.

The average between the regional and national airports was $0.185 psf/yr. Due to the limited data available from comparable and Small Hub airports with consideration given to the national average as significantly more data was available, a base rental rate of $0.200 psf/yr was derived which is consistent with the 10% premium for Non-Commercial use ($0.300 psf/yr) compared to Commercial use ($0.275 psf/yr).

The leasehold size and use of certain C1 and C2 parcels (including C1-1, C1-3, C1-5, C1-7, C1-9, C1-11, C1-13, C2-1, C2-3, C2-5, and C2-7) may change. As such, the rent per square foot for each parcel may change as well. However, a discount for size was applied to the base rental rate to derive the following conclusions:

Aeronautical Unimproved Land (Non-Commercial)	Rental Rate
Square Feet Conclusions	**Conclusion**
0 – 200,000 square feet	$0.200
200,000 – 1,000,000 square feet	$0.175
Greater than 1,000,000 square feet	$0.150

Hangar

The results of the study indicate that average rental rates for Hangar range from $1.000 psf/yr at comparable airports to $1.770 psf/yr at national airports. The average rental rate at Small Hub airports was $1.050 psf/yr and $1.390 psf/yr at regional airports.

The calculated midpoint between the comparable, Small Hub, regional, and national airport rental rates was $1.280 psf/yr and the weighted average was $1.610 psf/yr. Giving consideration to the national average rental rate ($1.770 psf/yr), a base rental rate of $1.500 psf/yr was derived.

The average size of Community Hangars in the national database is approximately 15,000 square feet. Similarly sized Community Hangars (ranging from 12,500 square feet to 17,500 square feet) exhibit no differential based upon size. The average rental rate for Community Hangars less than 12,500 square feet in the national database exhibit a premium of approximately 10% based upon size. The average rental rate for Community Hangars greater than 17,500 square feet in the national database also exhibit a premium of 10% based upon size.

Utilizing the base rental rate, a premium for size (as appropriate), and adjusting for condition (Hangars WGA H-1, H-2, H-3 and EGA H-1, H-2, H-3, H-4 are considered average and Hangar WGA H-4 is considered fair), the following conclusions were derived for Hangar space.

Hangar					Rental Rate
Hangar			Adjustments		Conclusion
Name	Size	Condition	Size	Condition	
WGA H-1	14,000	Average	-	-	$1.500
WGA H-2	14,000	Average	-	-	$1.500
WGA H-3	11,500	Average	+ 10%	-	$1.650
WGA H-4	13,325	Fair	-	- 10%	$1.350
EGA H-1	25,600	Average	+ 10%	-	$1.650
EGA H-2	15,000	Average	-	-	$1.500
EGA H-3	30,800	Average	+ 10%	-	$1.650
EGA H-4	5,000	Average	+ 10%	-	$1.650

General Aviation Terminal Building

The results of the study indicate that average rental rates for General Aviation Terminal Building range from $4.530 psf/yr at national airports to $8.840 psf/yr at comparable airports. The average rental rate at regional airports was $6.350 psf/yr. It is significant to note useable rental rates for General Aviation Terminal Building were not available from Small Hub airports.

The average rental rate (at national airports) for similarly sized General Aviation Terminal Buildings (ranging from 2,000 square feet to 6,000 square feet) was $5.230 psf/yr. The calculated midpoint between the comparable, regional, and national airports was $7.580 psf/yr and the weighted average was $5.010 psf/yr. Based upon this analysis, similarly sized General Aviation Terminal Buildings (at national airports) and the condition of the General Aviation Terminal Buildings (both are considered to be in good condition), a conclusion of $6.000 psf/yr for each General Aviation Terminal Building was derived.

Office (Associated with Hangar)

The results of the study indicate that average rental rates for Office (associated with Hangar) range from $2.750 psf/yr at comparable airports to $6.760 psf/yr at national airports. The average rental rate at regional airports was $3.700 psf/yr. It is significant to note useable rental rates for Office (associated with Hangar) were not available from Small Hub airports.

The average of the regional and national airports was $5.230 psf/yr and the weighted average was $6.420 psf/yr. Giving consideration to the national average rental rate ($6.760 psf/yr), a base rental rate of $6.250 psf/yr was derived.

The average size of Office (associated with Hangar) in the national database is approximately 2,250 square feet. As such, similarly sized Office – associated with Hangar (less than 3,500 square feet) exhibit no adjustment based upon size. The average rental rate for Office (associated with Hangar) ranging from 3,500 square feet to 10,000 square feet exhibit a discount of approximately 10% based upon size.

All Offices (associated with Hangars) are considered to be in average condition. As such, an adjustment based upon condition is not necessary. Utilizing the base rental rate and discount for size, the following conclusions were derived:

Office (Associated with Hangar)			Rental Rate
Office	Office Size	Adjustment For Size	Conclusion
WGA OF-2	4,680	- 10%	$5.650
WGA OF-3	2,300	-	$6.250
WGA OF-4	2,300	-	$6.250
EGA OF-2	2,500	-	$6.250
EGA OF-3	5,000	- 10%	$5.650
EGA OF-4	5,000	- 10%	$5.650
EGA OF-5	5,700	- 10%	$5.650
EGA OF-6	2,000	-	$6.250

Storage (Associated with Hangar)

The results of the study indicate that average rental rates for Storage (associated with Hangar) range from $0.660 psf/yr at Small Hub airports to $3.120 psf/yr at regional airports. The average rental rate at comparable airports was $1.350 psf/yr and $2.500 psf/yr at national airports.

Due to the limited data available from comparable, Small Hub, and regional airports, a comparative analysis of statistically significant data in the national database of airports was conducted. This analysis included airports where Hangar and Storage (associated with Hangar) are being leased. Through this analysis, it was determined that a discount of approximately 25% for Storage (associated with Hangar) exists at such airports. Applying this discount to the Hangar base rental rate conclusion ($1.500 psf/yr) yields a Storage (associated with Hangar) rental rate of $1.150 psf/yr. Based upon the comparative analysis with consideration given to the national average rental rate, a conclusion of $1.250 psf/yr was derived. All storage (associated with Hangar) is considered to be in average condition.

Asphalt Apron

The results of the study indicate that average rental rates for Asphalt Apron range from $0.250 psf/yr at Small Hub airports to $1.080 psf/yr at comparable airports. The average rental rate at regional airports was $0.260 psf/yr and $0.350 psf/yr at national airports.

Due to the limited data available from comparable, Small Hub, and regional airports, a comparative analysis of statistically significant data in the national database of airports was conducted. This analysis included airports where Aeronautical Improved Land (Commercial) and Asphalt Apron are being leased. Through this analysis, it was determined a premium of approximately 32% for Asphalt Apron exists at such airports. Applying this premium to the Aeronautical Improved Land (Commercial) rental rate conclusion ($0.275 psf/yr) yields an Asphalt Apron rental rate of $0.360 psf/yr. Based upon the average rental rate for national airports (and the availability of data in the national database) and the results of the comparative analysis, and the current condition (average) of the Asphalt Apron, a conclusion of $0.325 psf/yr was derived.

It is significant to note that this relational analysis was based upon an evaluation of triple net lease rental rates (wherein the lessee pays all maintenance, utilities, insurance, and taxes associated with the leasehold). As such, the rental rate for Asphalt Apron may need to be adjusted if the City is responsible for maintaining and repairing such areas at the Airport. Additionally, if Airport Improvement Program (AIP) funds were utilized to construct the Asphalt Apron, the rental rate for this improvement may need to be adjusted as well.

Concrete Apron

The results of the study indicate that average rental rates for Concrete Apron range from $0.080 psf/yr at Small Hub airports to $0.630 psf/yr at comparable airports. The average rental rate at regional airports was $0.100 psf/yr and $0.260 psf/yr at national airports.

Due to limited data available from comparable, competitive, and regional airports, a comparative analysis of statistically significant data in the national database of airports was conducted. This analysis included airports where Aeronautical Improved Land (Commercial) and Concrete Apron are being leased. Through this analysis, it was determined that a premium of approximately 38% for Concrete Apron exists at such

airports. Applying this premium to the Aeronautical Improved Land (Commercial) rental rate conclusion ($0.275 psf/yr) yields a Concrete Apron rental rate of $0.380 psf/yr. Based upon the average rental rate for national airports (and the availability of data in the national database) and the results of the comparative analysis, and the current condition (excellent) of the Concrete Apron, a conclusion of $0.350 psf/yr was derived.

It is significant to note that this relational analysis was based upon an evaluation of triple net lease rental rates (wherein the lessee pays all maintenance, utilities, insurance, and taxes associated with the leasehold). As such, the rental rate for Concrete Apron may need to be adjusted if the City is responsible for maintaining and repairing such areas at the Airport. Additionally, if AIP funds were utilized to construct the Concrete Apron, the rental rate for this improvement may need to be adjusted as well.

Asphalt Vehicle Parking

The results of the study indicate that average rental rates for Asphalt Vehicle Parking range from $0.140 psf/yr at comparable and regional airports to $0.260 psf/yr at national airports. It is significant to note useable rental rates were not available from Small Hub airports.

Due to limited data available from comparable, Small Hub, and regional airports, a comparative analysis of statistically significant data in the national database of airports was conducted. This analysis included airports where Aeronautical Improved Land (Commercial) and Asphalt Vehicle Parking are being leased. Through this analysis, it was determined that a premium of approximately 10% for Asphalt Vehicle Parking exists at such airports. Applying this premium to the Aeronautical Improved Land (Commercial) rental rate conclusion for the Airport ($0.275 psf/yr) yields an Asphalt Vehicle Parking rental rate of $0.300 psf/yr. Based the average rental rate for national airports (and the availability of data in the national database), the results of the comparative analysis, and the current condition (average) of the Asphalt Vehicle Parking, a conclusion of $0.300 psf/yr was derived.

It is significant to note that this relational analysis was based upon an evaluation of triple net lease rental rates (wherein the lessee pays all maintenance, utilities, insurance, and taxes associated with the leasehold). As such, the rental rate conclusion for Asphalt

Vehicle Parking may need to be adjusted if the City is responsible for maintaining and repairing such areas at the Airport.

Concrete Vehicle Parking

The results of the study indicate that the average rental rate for Concrete Vehicle Parking at comparable and national airports was $1.990 psf/yr. Useable rental rates were not available at regional and Small Hub airports.

Due to the mix of surface types, similar functional utility of Asphalt and Concrete Vehicle Parking, and limited data available from comparable, Small Hub, regional, and national airports, a conclusion of $0.300 psf/yr was derived (which is consistent with the conclusion for Asphalt Vehicle Parking). While a differential was derived between Asphalt and Concrete Apron due to functional utility and condition, no differential was determined for the Asphalt and Concrete Vehicle Parking. Additionally, all Asphalt and Concrete Vehicle Parking in the WGA and EGA areas are considered to be in average condition.

It is significant to note that this relational analysis was based upon an evaluation of triple net lease rental rates (wherein the lessee pays all maintenance, utilities, insurance, and taxes associated with the leasehold). As such, the rental rate conclusion for Concrete Vehicle Parking may need to be adjusted if the City is responsible for maintaining and repairing such areas at the Airport.

Fuel Storage Facilities

The Fuel Storage Facilities consist of the following:

1. WGA Fuel Storage Facility consists of four above ground tanks (Tank 1 – 12,000 gallon Jet Fuel, Tank 2 – 12,000 gallon Jet Fuel, Tank 3 – 10,000 gallon Avgas, and Tank 4 – 500 gallon Unleaded) which totals 34,500 gallons.
2. EGA Fuel Storage Facility consists of six below ground tanks (Tank 1 – 12,000 gallon Jet Fuel, Tank 2 – 12,000 gallon Jet Fuel, Tank 3 – 12,000 gallon Jet Fuel, Tank 4 – 10,000 gallon Avgas, Tank 5 – 2,000 gallon Unleaded, and Tank 6 – 2,000 gallon Diesel) which totals 52,000 gallons.

To derive a rental rate, AMCG analyzed the Fuel Storage Facility on a return on investment (or cost) basis. Based upon industry knowledge and survey results, the cost to develop a fuel storage facility typically ranges from $7.500 to $12.500 per gallon. For example, the cost to develop a 12,000 gallon fuel storage tank (similar to Tank 1) would typically range

from $90,000 to $150,000. For the purposes of this report, AMCG estimated the cost to develop a Fuel Storage Facility (at the Airport) at $7.500 per gallon or $258,750 for WGA (based upon 34,500 gallons and $390,000 for EGA (based upon 52,000 gallons). A 10% return on investment (or cost) has been applied to the estimated cost to develop the Fuel Storage Facilities to derive the rental rate. A 10% return on investment (or cost) has been utilized given the risk and level of returns on alternative investments. Based upon the estimated cost of $258,750 (WGA) and $390,000 (EGA) with a 10% return on investment (or cost), a rental rate of $25,875 per year (or $0.750 per gallon) was derived for WGA and a rental rate of $39,000 per year (or $0.750 per gallon) was derived for EGA.

Key Underlying Assumptions

It is significant to note the current rental rates being charged at the Subject Airport were not included in the national, regional, comparable, and Small Hub average market rents and as such, were not utilized to calculate the averages. It is also significant to note the market rental rate conclusions are based upon the tenant having full (unrestricted) and continued access (from the Subject Properties) to the Subject Airport infrastructure.

Market rents are driven by the amount a willing buyer (lessee) pays to a willing seller (lessor). To the extent that local economic factors affect rental rates at the national, regional, comparable, Small Hub, and competitive airports, these economic factors will be reflected in the market rental conclusions. To derive the market rent conclusions for the Subject Properties, AMCG has identified and analyzed (on a comparative basis) the rents being charged (and paid) for similar properties (by component) at a cross-section of airports (and markets) that are considered most comparable (similarly situated) to the Subject Airport (and market).

AMCG recognizes there are differences between the Subject Airport and the comparable airports. Some of the comparable airports exhibit superior characteristics and some exhibit inferior characteristics. In an effort to identify airports that were considered most comparable to the Subject Airport and to draw conclusions which reflect the conditions at the Subject Airport, the comparable airports were compared with the Subject Airport using a number of aeronautical activity and infrastructure indicators.

In AMCG's experience, aeronautical activity and infrastructure indicators at airports typically run parallel to local market (economic) indicators. Therefore, it is reasonable to assume the airports identified as being comparable to the Subject Airport (based upon the selection criteria) will be located in communities (markets) having economic and demographic characteristics similar to the subject community (market). As such, a separate analysis of local market activity indicators was not deemed necessary (or undertaken) in this case.

4. Vacancy and Collection Loss

In standard real estate appraisal practice, an allocation for vacancy and collection losses would be deducted to reflect the potential loss of income resulting from tenant turnover, late or unpaid rent, or other factors. For the purposes of this report, vacancy and collection loss was estimated at 5.00%

5. Expense and Reserves

As indicated previously, "net" rents are typically paid to the lessor, which in most cases is the airport owner (or sponsor) or other governmental entity. All expenses are typically the responsibility of the lessee. The only expenditures incurred by the lessor would be related to administrative and/or legal expense associated with organizing and maintaining the various lease contracts as well as operating expenses (collectively referred to as "management expenses") and reserves for replacement of short lived physical components such as concrete or asphalt paving and various building components (e.g., roof). In this case, the Appraiser has utilized 2.00% of effective gross income for management expenses, $0.050 psf for reserves for replacement of asphalt and concrete paving, and $0.100 psf for reserves for replacement of building components.

6. Overall Capitalization Rate

The Income Capitalization Approach involves the direct capitalization of the projected net operating income by an overall capitalization rate. This rate is usually selected based upon an analysis of sales of similar facilities. However, as previously discussed, airport-based properties are typically leased from airport owners (or sponsors) or other governmental entities and are rarely sold on the open market. Therefore, the Appraiser has derived an overall capitalization rate through an analysis of alternative source of rates published by Burbach & Associates and Price Waterhouse Coopers (PWC) Real Estate Investor Survey. Burbach & Associates published the results of a regional survey that includes southern Texas. Rates in this survey ranged from 8.0% to 10.0% with most rates between 9.0% and 9.5%. PWC rates range between 6.0 to 12.0% for the National Warehouse Market and average of 7.4%. In addition to the survey of rental rates, the Appraiser has obtained and considered rates of return for airport based properties. Those airport owner/operators surveyed indicated that a rate of return in the range of 8% to 12% is typically desired for commercial use properties located on-airport with rates of return in the 9% to 10% being most common. With consideration to the physical characteristics of the Subject Properties and economic conditions in the area, an overall rate of 9% was selected as being most appropriate for the Subject Properties. This rate is also consistent with regional and national trends in the aviation industry.

7. Income Approach Summary

West General Aviation Area

INCOME APPROACH SUMMARY

INCOME				
Component*	Square Feet	Gallons	Market Rent	Total Cost
WGA H-1*	14,000	-	$ 1.500	$ 21,000
WGA H-2*	14,000	-	$ 1.500	$ 21,000
WGA H-3*	11,500	-	$ 1.650	$ 18,975
WGA H-4*	13,325	-	$ 1.350	$ 17,989
WGA OF-1**	3,105	-	$ 6.000	$ 18,630
WGA OF-2**	4,680	-	$ 5.650	$ 26,442
WGA OF-3**	2,300	-	$ 6.250	$ 14,375
WGA OF-4**	2,300	-	$ 6.250	$ 14,375
WGA OF-2 Storage*	4,680	-	$ 1.250	$ 5,850
WGA Apron - Concrete***	466,514	-	$ 0.350	$ 163,280
WGA Apron - FSF***	11,246	-	$ 0.350	$ 3,936
WGA Parking - Concrete***	5,280	-	$ 0.300	$ 1,584
WGA Parking - Asphalt***	56,543	-	$ 0.300	$ 16,963
WGA FSF****	-	24,000	$ 0.750	$ 18,000
	-	10,000	$ 0.750	$ 7,500
	-	500	$ 0.750	$ 375
			Total Gross Income	**$ 370,274**

LESS: Vacancy and Collection Loss	**$ 18,514**
Effective Gross Income	**$ 351,760**

LESS:			
Component	Assumption	Square Feet	Total
Management (% of Effective Gross Income)	2.000%	N/A	$ 7,035
Reserves for Replacement (Asphalt/Concrete)	$ 0.050	539,583	$ 26,979
Reserves for Replacement (Buildings)	$ 0.100	69,890	$ 6,989
	Total Expenses and Reserves		**$ 41,003**

Net Operating Income	**$ 310,757**
Capitalization (9.0%)	**$ 3,452,856**
TOTAL VALUE BY THE INCOME APPROACH	**$ 3,452,856**
ROUNDED:	**$ 3,500,000**

* No leasehold value exists for the Improved Land (Commercial) due to the month-to-month nature of the lease.

East General Aviation Area

INCOME APPROACH SUMMARY

INCOME				
Component*	Square Feet	Gallons	Market Rent	Total Cost
EGA H-1*	25,600	-	$ 1.650	$ 42,240
EGA H-2*	15,000	-	$ 1.500	$ 22,500
EGA H-3*	30,800	-	$ 1.650	$ 50,820
EGA H-4*	5,000	-	$ 1.650	$ 8,250
EGA OF-1**	4,900	-	$ 6.000	$ 29,400
EGA OF-2**	2,500	-	$ 6.250	$ 15,625
EGA OF-3**	5,000	-	$ 5.650	$ 28,250
EGA OF-4**	5,000	-	$ 5.650	$ 28,250
EGA OF-5**	5,700	-	$ 5.650	$ 32,205
EGA OF-6**	2,000	-	$ 6.250	$ 12,500
EGA OF-5 Storage*	1,900	-	$ 1.250	$ 2,375
EGA Apron - Asphalt***	354,765	-	$ 0.325	$ 115,299
EGA Parking - Concrete***	47,266	-	$ 0.300	$ 14,180
EGA Parking - Asphalt***	39,500	-	$ 0.300	$ 11,850
EGA FSF****	-	36,000	$ 0.750	$ 27,000
	-	12,000	$ 0.750	$ 9,000
	-	2,000	$ 0.750	$ 1,500
	-	2,000	$ 0.750	$ 1,500
			Total Gross Income	**$ 452,744**

LESS: Vacancy and Collection Loss	**$ 22,637**
Effective Gross Income	**$ 430,107**

LESS:			
Component	Assumption	Square Feet	Total
Management (% of Effective Gross Income)	2.00%	N/A	$ 8,602
Reserves for Replacement (Asphalt/Concrete)	$ 0.050	441,531	$ 22,077
Reserves for Replacement (Buildings)	$ 0.100	103,400	$ 10,340
		Total Expenses and Reserves	**$ 41,019**

Net Operating Income	**$ 389,088**
Capitalization (9.0%)	**$ 4,323,200**
TOTAL VALUE BY THE INCOME APPROACH	**$ 4,323,200**
ROUNDED:	**$ 4,250,000**

* No leasehold value exists for the Improved Land (Commercial) due to the short-term nature of the lease.

D. Reconciliation and Final Market Value Estimate

This analysis has resulted in the following value conclusions as of August 11, 2011:

	WGA	EGA
Cost Approach	$4,250,000	$2,500,000
Income Capitalization Approach	$3,500,000	$4,250,000

The Cost Approach was supported by the MVS. There was some judgment involved in estimating accrued depreciation due to the age of the improvements (the exact dates of construction or age of each improvement is not known and/or could not be ascertained in all cases). The Sales Comparison Approach was not performed since it was not considered appropriate or applicable in this case. There was no leasehold value in the FBO Improved Land (Commercial) due to the month-to-month and short-term nature of the leases. Additionally, when FBO sales occur, it is difficult to ascertain separate business enterprise and real estate values. The Cost Approach supported the Income Approach and vice versa.

While there was subjectivity involved in estimating market rents for each component of the Subject Properties, a survey of comparable and competitive airports was conducted and regional and national data provided additional credibility in establishing rental rates for each component of the Subject Properties.

Since the Subject Properties would be leased on a "net" basis, the expenses incurred would be limited. The capitalization rate was supported by a national and regional investor survey as well as conversations with airport owners/operators. In summary, while the value derived using the Income Approach was different than the value derived using the Cost Approach for both WGA and EGA, in this case, the values derived using both approaches were given (generally) similar weight overall. As such, the Appraiser concluded between the two approaches.

The final value conclusion as of August 11, 2011 is as follows:

"As Is" Value (August 11, 2011)

West General Aviation Facility	**$3,750,000**
East General Aviation Facility	**$3,500,000**

E. Prospective Marketing and Exposure Time

Part of an appraisal assignment is to report a typical marketing period for the Subject Properties based upon the value conclusion. Generally, the marketing period is tied to the definition of Market Value which, in this case, states that *"A reasonable time is allowed for exposure in the open market."*

Therefore, the research must focus on what would be a reasonable marketing and exposure time in the market for this type of property being appraised. As such, the marketing time estimate is based upon the known and expected characteristics of the property, its environs, and the conditions of the current real estate market to the point of reaching a negotiated sales contract.

There is a difference between exposure time and marketing period and this is an important distinction that needs to be made. Within this context, an analysis of market transactions is integral to the appraisal process. For example, comparable properties which are under contract on the effective date of value are not usually adjusted for time (date of sale), whereas options that call for a future closing date are generally adjusted back to the date of appraisal. In other words, it is the "meeting of the minds" as to price and terms that influences the appraisal. Therefore, in this report, "reasonable exposure time" is viewed as an historical event ending on the valuation date. Conversely, the "marketing period" is the Appraiser's estimate of the length of time necessary to secure a binding sales contract on the property in the future (i.e., prospective marketing time).

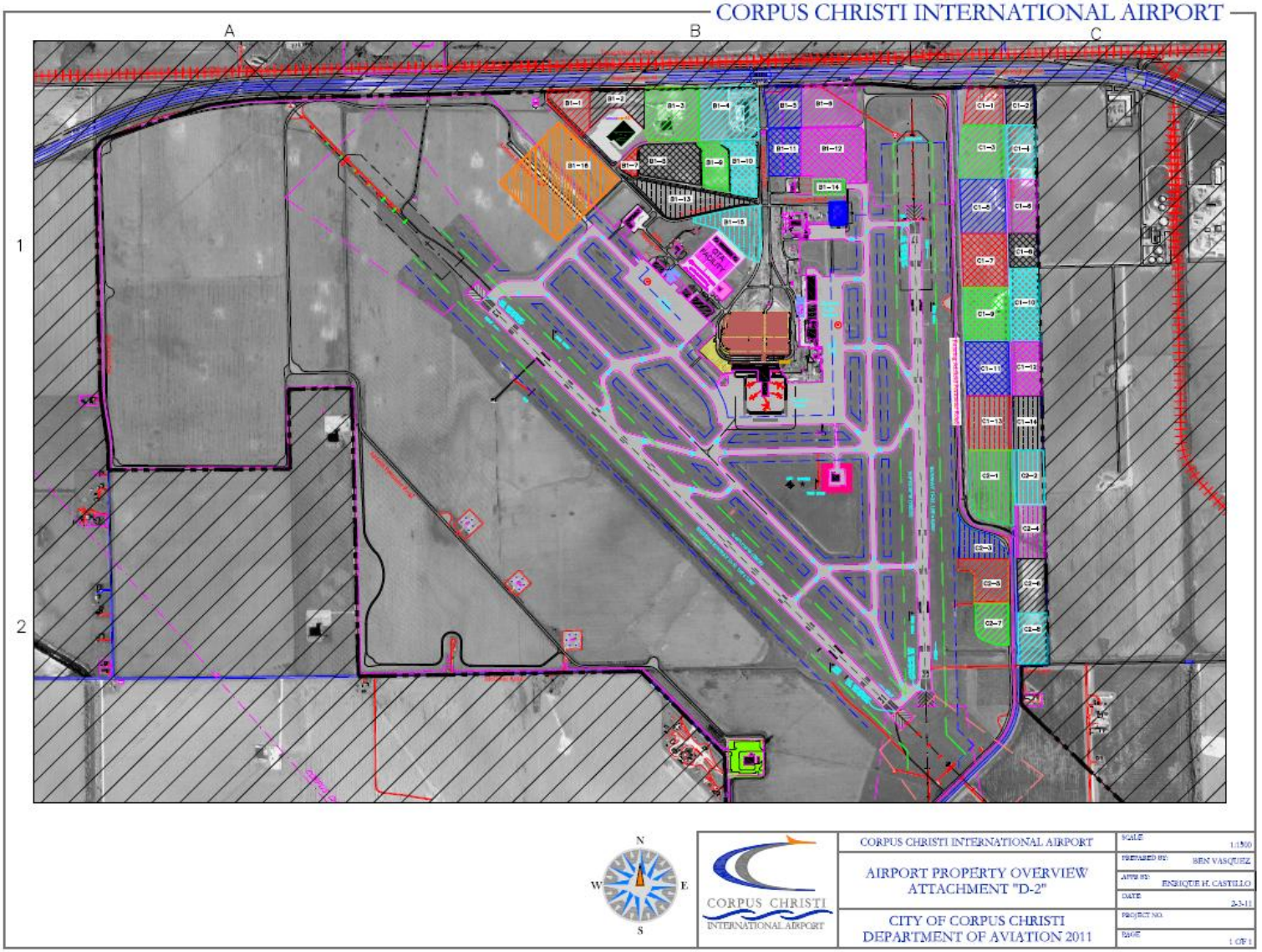
The responses to the PWC Real Estate Investor Survey have also been reviewed and considered by the Appraiser. This survey is published at quarterly intervals and summarizes the responses of developers and investors. In the most recent survey, the average marketing time for industrial properties nationally was 7.69 months and regionally was up to 12 months for 82% of the responders. Given the current market conditions in the area and the uniqueness of the Subject Properties, the Appraiser believes a reasonable marketing time for the Subject Properties would be 12 months at the estimated market value assuming a compatible aviation use. Essential to this conclusion is the marketing of the property by competent professionals. The exposure period is also estimated at 12 months.

IX. APPENDIX

A. Mathematical Definitions

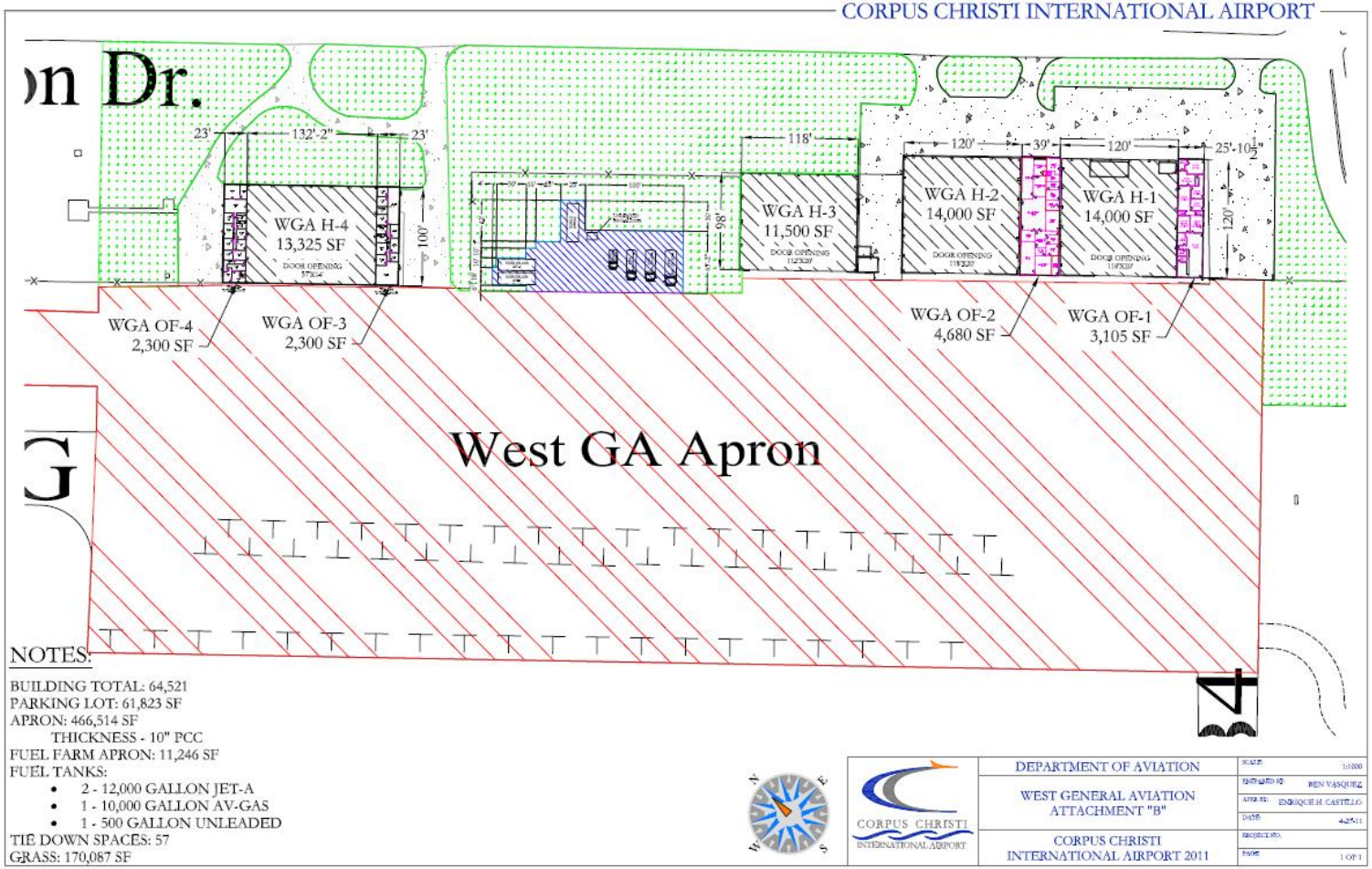
The “Minimum” and “Maximum” columns represent the minimum and maximum values present in the data range. The “Mean” column represents the arithmetic average of all data in the data range. The “Standard Deviation” column represents the standard deviation of all data points in the range. Standard deviation is a statistical method designed to mathematically measure the variability in a set of data points. The calculated figure for standard deviation is indicative of the relative distance between the mean and every data point. For a normally distributed population, approximately 68% of the data points would fall within 1 standard deviation of the mean, as illustrated by a normal bell curve. Similarly, approximately 95% of the data points would fall within two standard deviations while approximately 99.7% of the data points would fall within three standard deviations of the mean. Assuming the collected sample data from the comparable airports is representative of the population and the population follows a normal bell curve, the calculated standard deviation values would illustrate the relative variability in data points (i.e., how close these data points are to the mean). The figure in the “Median” column is the median of the data range. Essentially, half of the data points in the number series are below the median value while half of the data points in the number series are above the median value. The figure in the “Range” column is the difference between the maximum and minimum values of the data range. The “Midpoint” is an analysis which utilizes the Mean and Median values of the data set to determine a representative “average.” Utilization of the Mean and Median values are incorporated in an effort to identify and eliminate the influence of outliers on the representative “average.”

B. Subject Properties – Identification Map

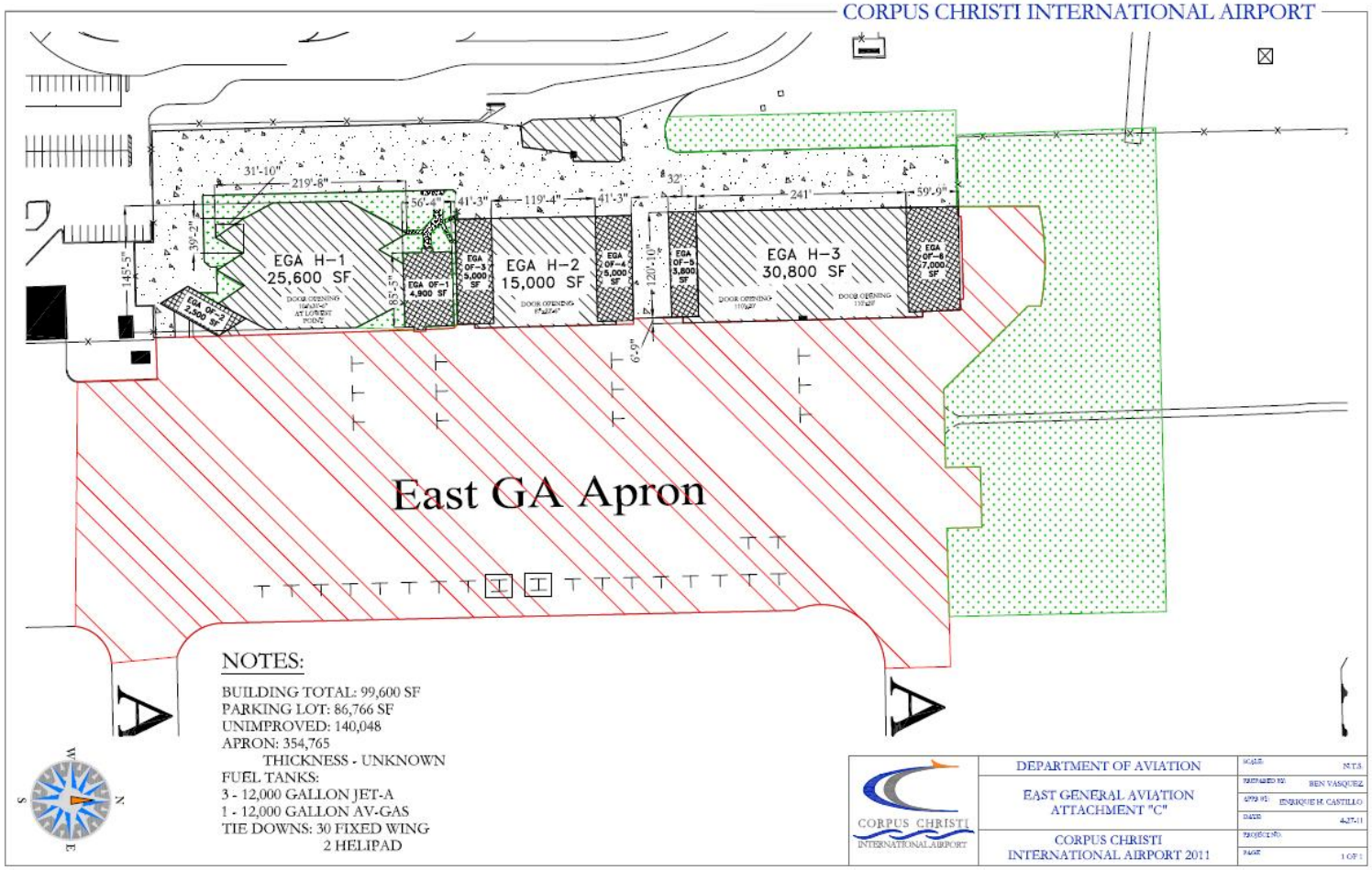


C. Subject Properties – Component Identification Map

1. West General Aviation Facility



2. East General Aviation Facility



D. Subject Properties – Photographic Survey

1. West General Aviation Facility

WGA OF-1 – Exterior

WGA OF-1 – Interior

WGA OF2 – Exterior

WGA OF2 – Interior

WGA OF3 - Exterior

WGA OF3 – Interior

WGA OF4 – Exterior

WGA OF4 – Interior

WGA Apron

WGA Vehicle Parking

WGA H-1 Exterior

WGA H-1 Interior

WGA H-2 Exterior

WGA H-2 Interior

WGA H-3 Exterior

WGA H-3 Interior

WGA H-4 Exterior

WGA H-4 Interior

WGA Storage

WGA Fuel Storage Facility

2. East General Aviation Facility

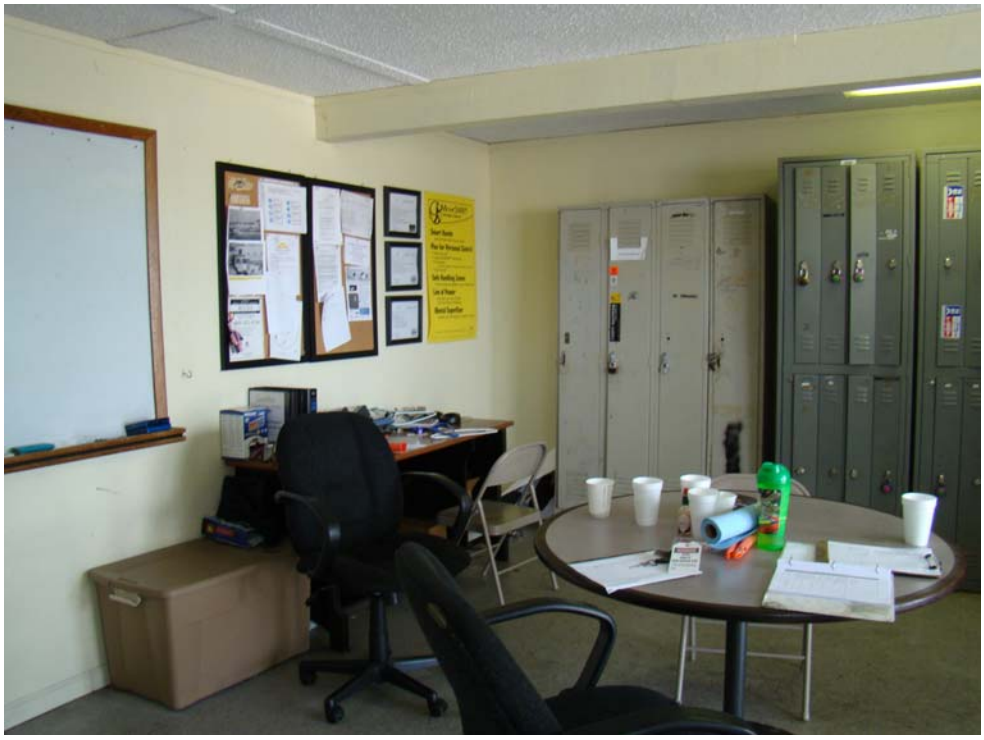
EGA OF1 – Exterior

EGA OF1 – Interior

EGA OF2 – Exterior

EGA OF2 – Interior

EGA OF3 – Exterior



EGA OF3 – Interior

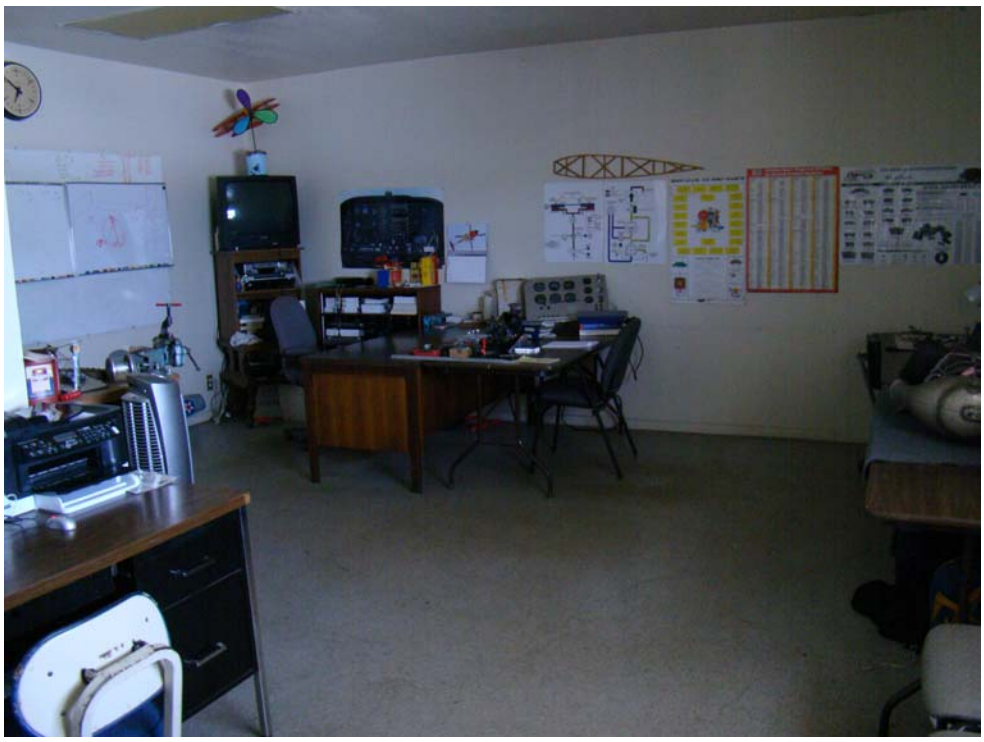
EGA OF4 – Exterior

EGA OF4 - Interior

EGA OF5 - Exterior

EGA OF5 - Interior

EGA OF6 – Exterior



EGA OF6 – Interior

EGA Apron

EGA Vehicle Parking

EGA H-1 Exterior

EGA H-1 Interior

EGA H-2 Exterior

EGA H-2 Interior

EGA H-3 Exterior

EGA H-3 Interior

EGA H-4 Exterior

EGA H-4 Interior

EGA Storage

EGA Fuel Storage Facility

3. Improved and Unimproved Land

B1 Land

B1 Land

C1 Land

C2 Land

E. Subject Properties – Metes and Bounds Descriptions

corner of the tract of land described in Article I, Paragraph A, of the Contract and Lease Agreement between the Greensboro-High Point Airport Authority and Atlantic Aero, Inc., bearing date of 24 May 1971, and running thence from said beginning point North 44 deg. 49 min. 30 sec. West 198.06 feet to a point in the margin of Perimeter Road; thence running with the southeastern margin of Perimeter Road as it curves to the right a chord and chord distance of North 40 deg. 38 min. 29 sec. East 47.22 feet; thence continuing with said margin of Perimeter Road North 60 deg. 20 min. 58 sec. East 204.60 feet; thence continuing with said margin of Perimeter Road as it curves to the right a chord and chord distance of North 68 deg. 16 min. 15 sec. East 140.76 feet; thence continuing with said margin of Perimeter Road North 76 deg. 10 min. 25 sec. East 180.53 feet; thence South 45 deg. 10 min. 30 sec. East 528.73 feet to the point of Beginning, containing 67,374 square feet and being colored in purple on the plat of survey attached to this Fourth Amendment and marked "Exhibit B."

The above-described tract of land shall be added to and become a part of the demised premises effective 1 SEPTEMBER 1989.

C

BEGINNING at the northernmost corner of the tract of land described in Article I, Paragraph A, of the Contract and Lease Agreement between the Greensboro-High Point Airport Authority and Atlantic Aero, Inc., bearing date of 24 May 1971, and running from said beginning point North 44 deg. 49 min. 30 sec. West 154.93 feet to a point in the margin of Perimeter Road; thence with said margin of Perimeter Road North 76 deg. 10 min. 25 sec. East 51.42 feet; thence with said margin of Perimeter Road as it curves to the right a chord and chord distance of South 74 deg. 18 min. 59 sec. East 68 feet; thence continuing with the margin of Perimeter Road South 44 deg. 49 min. 30 sec. East 68.44 feet; thence South 45 deg. 10 min. 30 sec. West 78.00 feet to the point of Beginning, containing 10,006 square feet and being colored in brown on the plat of survey attached to this Fourth Amendment and marked "Exhibit B."

The above-described tract of land shall be added to and become a part of the Demised Premises effective 1 SEPTEMBER 1989.

D

BEGINNING at a point located North 45 deg. 10 min. 30 sec. East 8 feet from the northernmost corner of the tract of land described in Article I, Paragraph A, of the Contract and Lease Agreement between the Greensboro-High Point Airport Authority and Atlantic Aero, Inc., bearing date of 24 May 1971, and running thence from said beginning point North 45 deg 10 min. 30 sec. East 70 feet to a point in the margin of Perimeter Road; thence with Perimeter Road South 44 deg. 49 min. 30 sec. East 411.68 feet; thence continuing with said margin of

Perimeter Road as it curves to the left a chord and chord distance of South 60 deg. 42 min. 10 sec. East 71.12 feet; thence continuing with said margin of Perimeter Road as it curves to the right a chord and chord distance of South 37 deg. 16 min. 01 sec. East 25.34 feet to a point in General Aviation Loop Road; thence with said road as it curves to the left a chord and chord distance of South 08 deg. 42 min. 12 sec. East 85.79 feet; thence continuing with said access road as it curves to the left a chord and chord distance of South 60 deg. 37 min. 55 sec. West 20.07 feet; thence continuing with said road as it curves to the right a chord and chord distance of South 19 deg. 30 min. 05 sec. West 26.33 feet to a point in the margin of a spur off said General Aviation Loop Road; thence with the margin of said spur south 50 deg. 37 min. 55 sec. West 20.07 feet; thence with the margin of said spur as it curves to the left a chord and chord distance of South 52 deg. 54 min. 27 sec. West 97.64 feet; thence North 44 deg. 49 min. 30 sec. West 19.48 feet; thence North 45 deg. 10 min. 30 sec. East 95.00 feet; thence North 44 deg. 49 min. 30 sec. West 550.00 feet to the point of Beginning, containing 47,873 square feet and being colored in red on the plat of survey attached to this Fourth Amendment and marked "Exhibit B."

The above-described tract of land shall be added to and become a part of the demised premises effective 1 SEPTEMBER 1989.

E

BEGINNING at a point located North 45 deg. 10 min. 30 sec. East 500.00 feet from the southernmost corner of the tract of land described in Article I, Paragraph A, of the Contract and Lease Agreement between the Greensboro-High Point Airport Authority and Atlantic Aero, Inc., bearing date of 24 May 1971, and running from said beginning point North 00 deg. 10 min. 30 sec. West 247.49 feet; thence North 44 deg. 49 min. 30 sec. West 190.52 feet to the margin of a spur off General Aviation Loop Road; thence with said margin of said spur as it curves to the right a chord and chord distance of North 52 deg. 54 min. 30 sec. East 81.50 feet; thence continuing with the margin of said spur North 60 deg. 37 min. 55 sec. East 23.22 feet; thence continuing with said margin of said spur as it curves to the right a chord and chord distance of South 80 deg. 06 min. 34 sec. East 25.31 feet to the margin of said General Aviation Loop Road; thence with the margin of said General Aviation Loop Road as it curves to the left a chord and chord distance of South 54 deg. 10 min. 25 sec. East 90.10 feet; thence continuing with said margin of said General Aviation Loop Road as it curves to the right a chord and chord distance of South 27 deg. 23 min. 02 sec. East 25.83 feet to a point in the margin of another spur off said Loop Road; thence South 12 deg. 48 min. 28 sec. West 168.82 feet; thence continuing with the margin of said spur as it curves to the left a chord and chord distance of South 06 deg. 31 min. 29 sec. West 119.28 feet; thence South 44 deg. 49 min. 30 sec.

East 14.49 feet to the point of Beginning, containing 26,109 square feet and being colored in blue on the plat of survey attached to this Fourth Amendment and marked "Exhibit B."

The above-described tract of land shall be added to and become a part of the demised premises effective 1 SEPTEMBER 1989.

F

BEGINNING at a point located North 45 deg. 10 min. 30 sec. East 500.00 feet from the southernmost corner of the tract of land described in Article I, Paragraph A, of the Contract and Lease Agreement between the Greensboro-High Point Airport Authority and Atlantic Aero, Inc., bearing date of 24 May 1971, and running thence from said beginning point South 44 deg. 49 min. 30 sec. East 14.49 feet to the margin of a spur off General Aviation Loop Road; thence with said spur South 00 deg. 14 min. 30 sec. West 146.52 feet; thence South 89 deg. 18 min. 30 sec. West 85.45 feet; thence North 44 deg. 49 min. 30 sec. West 58.44 feet to the point of Beginning, containing 12,275 square feet and being colored in yellow on the plat of survey attached to this Fourth Amendment and marked "Exhibit B."

The above-described tract of land was added to became a part of the demised premises effective 1 April 1985.

G

BEGINNING at a point located North 45 deg. 10 min. 30 sec. East 250.00 feet from the southernmost corner of the tract of land described in Article I, Paragraph A, of the Contract and Lease Agreement between the Greensboro-High Point Airport Authority and Atlantic Aero, Inc., bearing date of 24 May 1971, and running thence from said beginning point North 45 deg. 10 min. 30 sec. East 85.00 feet to a point; thence South 44 deg. 49 min. 30 sec. East 58.44 feet; thence North 89 deg. 18 min. 30 sec. East 85.45 feet; thence South 00 deg. 14 min. 30 sec. West 119.23 feet; thence South 89 deg. 14 min. 00 sec. East 30.16 feet; thence South 00 deg. 14 min. 30 sec. West 425.41 feet; thence North 89 deg. 23 min. 45 sec. West 45.39 feet; thence North 44 deg. 49 min. 30 sec. West 341.81 feet; thence North 45 deg. 10 min. 30 sec. East 250.00 feet; thence North 44 deg. 49 min. 30 sec. West 150.00 feet to the point of Beginning, containing 94,899 square feet and being colored in gray on the plat of survey attached to this Fourth Amendment and marked "Exhibit B."

The above-described tract of land shall be added to and become a part of the demised premises effective 1 SEPTEMBER 1989.

F. Consultant/Appraiser Qualifications

1. David Benner (Consultant)

Associate Consultant (Aviation Management Consulting Group, Inc.)

Experience

David Benner has more than 10 years of aviation, management, and customer service experience including airport operations, flight instruction, business operations, and aviation (airports and aviation businesses) management consulting.

Education

David has a Bachelor of Science degree in Business Administration from Bethel College and a Master of Business Administration degree in Aviation with a concentration in Airport Management from Embry-Riddle Aeronautical University (ERAU). Additionally, David has a commercial pilot license with instrument and multi-engine ratings, and he is a Certified Flight Instructor.

Expertise

Airport
- Appraisals and Valuations
- Leasing Policies
- Rents and Fees Policies
- Minimum Standards
- Rules and Regulations
- Development Guidelines
- Lease/Use/Operating Agreements
- Strategic/Business Planning
- Rent Studies
- Fee Studies
- RFP Development and Response Evaluations
- Market Assessments and Feasibility Studies
- Operational and Financial Assessments

Business
- Appraisals and Valuations
- Due Diligence
- Strategic/Business Planning
- Operational and Financial Assessments
- RFP Response Development (Proposal)
- Market Assessments and Feasibility Studies

Background

Prior to joining Aviation Management Consulting Group, David was a full-time student pursuing his Master's degree at ERAU in Daytona Beach, Florida. While at ERAU, he served as a graduate assistant and completed a number of high profile research projects including an Aviation Forecast Study (San Diego International Airport), a Security Study (San Francisco International Airport), and a Customer Satisfaction Survey (Daytona Beach International Airport). In addition, while pursuing his Master's degree, David completed an internship with Daytona Beach International Airport focused on airport administration, operations, and management.

2. Robert Decker (Appraiser)

Principal (Decker Associates, Inc.)

Experience

Robert (Appraiser) has over 35 years of commercial appraisal and consulting experience including a variety of aviation assignments encompassing the valuation of airport land and building improvements (both leased fee estate and leasehold interest). In addition, Robert has completed a number of rent studies involving airport (and aviation-related) properties.

Education

Robert has an undergraduate degree in Business Administration from Colorado State University in Ft. Collins, Colorado. In addition, he has completed the following Appraisal Institute Courses: Capitalization Theory and Techniques IA and IB, Case Studies in Real Estate Valuation II, Investment Analysis VI, and Litigation Valuation, Standards of Professional Practice and numerous appraisal seminars. Robert is a Certified General Appraiser in the state of Colorado and has performed appraisal assignments in thirteen other states.

Expertise

Airport/FBO/General Aviation
- Appraisal
- Valuation
- Rent Studies

Non-Aviation (Commercial)
- Sale/Purchase
- Financing
- Estate Tax
- Strategic/Business Planning
- Condemnation
- Market Assessment
- Feasibility Study

3. James Burbach (Appraiser)

President (Burbach & Associates)

Experience

James (Jim) Burbach (MAI and President of Burbach & Associates) has approximately 35 years of appraisal and consulting experience including: appraisal and investment analysis of residential PUDs; absorption studies for residential demand projections; pricing recommendations for proposed office, industrial, and residential PUDs; and, the valuation of office buildings, multi-family projects, regional malls, hotel/motels, industrial properties, and major land assemblages.

Education

Jim has an undergraduate degree in Finance from the University of Wisconsin in Whitewater, Wisconsin and a graduate degree in Real Estate Appraisal and Investment Analysis from the University of Wisconsin in Madison, Wisconsin. Jim is a Certified General Appraiser in the state of Texas.

Expertise

Non-Aviation (Commercial)

- Financing
- Estate Tax
- Strategic and Business Planning
- Condemnation
- Feasibility Studies
- Litigation Support
- Market Assessments