March 28, 2003

Shawn K. Brown, Trustee
Hance, Scarborough Wright Ginsberg & Brusilow
1401 Elm Street, Suite 4750
Dallas, TX 75202

RE: Lorax Corporation Property

Dear Mr. Brown:

This letter is my review of an appraisal and value opinion of the Lorax property located on One Curtis Mathis Parkway in Athens, Henderson County, Texas

Review Section
The report under review was prepared for

> Webb Cox
> President
> North Texas Certified Development Company
> 1101 E. Plano Parkway, Suite A
> Plano, Texas 75074

The intended users of my review are you, the court, opposing counsel and creditors of Lorax, the debtor.

The purpose is to provide an opinion as to the reliably of the value conclusion set in the appraisal.

The date of my review is March 26, 2003. The property interest appraised was leased fee. The effective date of the appraisal was November 14, 2001 and report date was November 15, 2001.

The certification page was signed by C. Lance McDade. Robert Lewis was also listed as having inspected the subject. The appraisal is defined as a limited appraisal and restricted report. The purpose of the appraisal under review is to estimate the market value of the leased fee interest. The function is for financing.

The scope of my review is not limited to that information contained in the report made by Mr. McDade. I have made best efforts to confirm the data, collect additional data, and reviewed related documents. In this regard, I have discussed the market with commercial real estate brokers, appraisers and tax assessors. I have studied the data, analysis, and conclusion of Mr. McDade. Finally, I toured the subject property on March 26, 2003.

The subject is an industrial warehouse built between 1962 and 1986 totaling 705,475 square feet. It is reported to have a clear ceiling height of 22 feet and is in “average overall condition”. Thirty eight percent of the building (268, 487 square feet) is reported to be remodeled. Property tax assessment for 2001 is reported to be $2,001,500 resulting in a tax of $49,000. The improvements are extended over 44.335 acres of industrial land. This land is not in the flood hazard area.

Mr. McDade discussed the three approaches to value and elected to only rely on the Sales Comparison and Income Approach. This is considered to be reasonable.

Ownership of the subject is reported to be the Greenwall Liquidating Trust, a liquidating trust whose beneficiary is the Texas Natural Resource Conservation Corporation (TNRCC). The trust was created to allow funding of clean-up of the subject. The trust also establishes use of the subject under a ground lease.

In the Sales Comparison Approach, four sales were listed. These sales ranged between March, 2000 and May 2001in sales date, 1965 and 1978 in construction date, 218,580 and 1,046,852 square feet in size and $19.58 and $26.68 per square foot in sales price.

The sales were adjusted for financing condition of sale, time, location, size condition and utility. After adjustment the sales prices range between $15.34 and $15.41 per square foot.

I do not know the condition of these sales as of the sale date but negative age and condition adjustments ranged between 10 and 15 percent. After inspection, the condition of about 375,000 square feet of the building is considered to be poor. Accordingly, it is not clear whether adjustments for condition in the appraisal are adequate.

All of the sales are located in the Dallas/Fort Worth Metroplex, while the subject is in Athens. Demand factors are significantly higher for these sale properties, as compared to the subject, but only two of the sales received negative (-25%) adjustments for location. I do not believe that this accurately accounts for the location differences.

The value conclusion in the Sales Comparison Approach was $10,300,000. I do not believe that this value is adequately supported by the analysis and is overstated.

The Income Approach was based on direct capitalization of net income from four reported tenants as follows:

Tenant	*Sq Ft*	*Net Rent/SF*
Lorax	370,259	$1.85
Texas Ragtime	135,991	$1.65
ATCO	166,245	$2.00
Dallas Manufacturing	33,000	$2.00

This data was adequately supported by three leases in competing buildings in Athens. The Lorax space was considered to be owner-occupied but included for the analysis at a market rate of $1.85 per square foot.

Credit and vacancy loss was estimated to be 7.5 percent.

Expenses were passed to through to the tenants on NNN terms and expected to total $225,200 annually.

The resulting net operating invoice was $1,64/SF or $1,154,617 Capitalization rates from the reported sales range between 9.41 and 10.97 percent. The value conclusion by the Income Approach was $10,500,000 reflecting an 11 percent capitalization rate.

The final value conclusion was $10,400,000. I do not believe that this value conclusion is reliable for the following reasons.

1. All of the sales were located in the Dallas/Fort Worth area. Two of these sales received no adjustment for location which overstated their indication of value.
2. The condition of part of the subject, as of March 26, 2003, was, in my opinion, poor, while two of the tenant spaces were in average to above average condition for the age of the property. The areas in poor condition appear to be that of the Lorax space or 375,000 square feet. The appraiser did not make adequate adjustment for property condition.
3. The capitalization rate from the sales all reflect upside potential and demand for industrial building in the Metroplex. In spite of the fact that the appraiser selected a capitalization rate at the top of the range, this does not accurately reflect the risk associated with ownership, repair and absorption of the subject to stable occupancy.
4. Finally, no mention was made of the extensive deferred maintenance. We have one estimate of the cost to renovate the balance of the building at $1,010,794. This was available as of the date of the report and it was ignored.

Accordingly, in my opinion, the appraisal under review is inadequate in its data, analysis and conclusion and cannot be relied upon.

<u>Valuation Section</u>

In accordance with the Uniform Standards of Professional Appraisal Practice (USPAP), we have developed an independent market value conclusion for the subject property. The following are required elements of a complete summary report per USPAP.

Property Identification

The subject of this appraisal is the Lorax Industrial Facility as described in the appraisal prepared by C. Lance McDade, MAI, dated November 15, 2001. A copy of this appraisal is incorporated herein by reference for all purposes.

Date of Inspection and Date of Value

The date of physical inspection was March 26, 2002, and the effective date of the appraisal is also March 26, 2003. The report date is March 28, 2003.

Purpose and Function

The purpose of the appraisal is to estimate the market value for the subject property, as of the effective date for possible litigation support.

Property Rights Appraised

The subject property is encumbered by long-term leases, therefore, this appraisal report considers the property rights inherent to a leased fee estate. A leased fee estate is defined by the Appraisal Institute as an "ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the leased fee are specified by contract terms contained within the lease."

Market Value

The major focus of most real property appraisal assignments is market value. Economic and legal definitions have been developed and refined. The most widely accepted components of market value are incorporated in the following definition:

The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and the seller acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue stress. (*The Dictionary of Real Estate Appraisal, 4th Edition,* Appraisal Institute, 2002.)

Marketing Period

The marketing period is divided into exposure time and marketing time. Exposure time is the same as the marketing time except that is reflects the marketing time prior to the effective appraisal date with an assumed sale on the effective appraisal date. Marketing time is the period required to sell a real property interest at market value with marketing beginning on the effective date of the appraisal.

<u>Exposure Time</u>

The Appraisal Standards Board of The Appraisal Foundation defines "Exposure Time" as follows:

> "*The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. Exposure time is different for various types of real estate and value ranges and under various market conditions.*"

Exposure time is not intended to be a prediction of a date of sale or a one-line statement. Instead, exposure time and an appraisal conclusion of value are interrelated and an integral part of the appraisal analysis. Exposure time is different for various types of real estate and considers various market conditions. A reasonable exposure period is a function of price, time, and use, and is not an isolated estimate of time alone. It is the estimated length of time the property would have been offered prior to a hypothetical market value sale on the effective date of appraisal. It is a retrospective estimate based on an analysis of recent past events, assuming a competitive and open market. It assumes not only adequate, sufficient, and reasonable time but also adequate, sufficient, and reasonable marketing effort.

Exposure time is often expressed as a range and is based on direct and indirect market data gathered during the market analysis, sales verifications, and interviews with market participants, and other appropriate sources. The amount of time which a property will require to be marketed varies greatly depending on a number of factors, including market conditions, listing price, terms of sale offered, and competitive inventory of properties listed for sale.

Given the current and foreseeable market conditions in the East Texas industrial market, the large number of developable sites, the limited sales activity of industrial properties, and the current condition of the subject, an exposure time of 12 to 18 months is estimated for the subject.

Marketing Time

The Appraisal Standards Board of The Appraisal Foundation defines "Marketing Period" as follows:

> *"Reasonable marketing time is an estimate of the amount of time it might take to sell an interest in real property at its estimated market value during the period immediately after the effective date of the appraisal; the anticipated time required to expose the property to a pool of prospective purchasers and to allow appropriate time for negotiation, the exercise of due diligence, and the consummation of a sale at a price supportable by concurrent market conditions. Marketing time differs from exposure time, which is always presumed to precede the effective date of the appraisal."*

Marketing time is the period a prospective investor would forecast to sell the subject immediately after the appraisal date at the value estimated herein. Marketing time is essentially an estimate of the perceived level of risk associated with the marketability, or liquidity, of the properties. The sources for this information include those used in estimating the reasonable exposure time, but also an analysis of the anticipated changes in market conditions following the date of appraisal. In other words, the reasonable marketing time is the number of months it will require to sell a property from the date of value.

However, the future price for the property (at the end of the marketing time) may or may not equal the appraisal estimate. The future price depends on unpredictable changes in the physical real estate, demographic and economic trends, real estate markets in general, supply and demand characteristics for light manufacturing industrial properties, and many other factors.

During our research into the trends currently occurring in the subject market area, we learned that the days on the market for a large industrial property typically ranges from 4 to 30 months. Based on recent transactions, aging of current listings and trends reported by area real estate professionals, we estimate a reasonable marketing time for an arm's length sale of the subject property to be 12 to 24 months.

Highest and Best Use

After the inspection of the property and an analysis of prevailing market trends, the highest and best use, as improved, does not support a change from its current use as a light manufacturing facility. Therefore, the highest and best use of the property, as improved, is for continued use as a light industrial facility.

Scope of the Appraisal

In general, the procedures followed to develop a well-supported estimate of the defined value of the subject property included:

- Analysis of general market information to discern trends in the social, governmental and environmental forces that affect property value;
- Analysis of specific market data relating to the subject property and to comparable properties being sold or leased;
- Analysis of competitive supply and demand data to determine the appraised property's position in the market;
- Analysis of the property's highest and best use as though vacant and as improved;
- Consideration of the sales comparison approach. Using this approach, we compare similar properties that have recently been exchanged at known price levels to the subject property. The comparable sales are analyzed, and adjustments for various elements of comparison are applied to

account for differences compared to the subject property. This approach is most reliable when there is adequate market information for comparison;

- Consideration of the income capitalization approach. This approach analyzes the property's earning capacity and converts this capacity into an indication of market value. Market rents and operating expenses were examined and a net cash flow projection for the subject property was developed using ARGUS for Windows version 10.0; and

- Reconciliation of the value indications into a final estimate of value

Special Assumptions and Limiting Conditions

In this appraisal report, we conclude a market value estimate. It is understood that the subject's land and buildings are in separate ownership entities. We have not been asked to nor have we made any effort to estimate the market value of the assets under separate ownership.

The accompanying prospective financial analyses are based on estimates and assumptions developed in connection with the appraisal. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our prospective financial analyses will vary from estimates and the variations may be material. Deloitte & Touche makes no warranties with regard to evolving future events. It is not the intention of this appraisal for the market value to represent what will actually be achieved, but is considered to be the most probable estimate as of the effective valuation date. Furthermore, the valuation conclusions and opinions expressed in this report are subject to certain assumptions, contingencies, and limiting conditions as discussed herein.

Appraisal Process Applied to the Subject

The cost, sales comparison and income capitalization approaches were considered in estimating independent indications of market value for the subject property. The subject is a multi-tenant industrial facility with the ability to produce rental income. In this analysis the sales comparison and income capitalization approaches are considered more applicable in estimating the market value of the property. The cost approach was considered in this appraisal, but was not used due to the subject's age and current condition.

Sales Comparison Approach

In developing the sales comparison approach, we identify sales of properties with characteristics that are similar to the subject improvements. The sales price per square foot of building area is used as a unit of comparison. Adjustments are made to the sales prices of comparable sales that quantitatively reflect differences between the subject and comparable properties. The adjusted figures reflect a range of comparable sales on a price per square foot basis for the purpose of estimating a market value for the subject.

	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
Name	Lorax Corporation	Hon Office Furniture Mfr	Old Fort Knox Building	Anchor Glass	Visador Complex	EIJ Mfr Facility
Address	One Curtis Mathes	906 N Hillcrest	2500 West Oak St	US Hwy 287 & I45	Houston Street	Athens Brick Co. Rd
County	Henderson	Hopkins	Anderson	Navarro	Jasper	Henderson
City, State	Athens, TX	Sulphur Springs, TX	Palestine, TX	Corsicana, TX	Jasper, TX	Athens, TX
Sales Price	---	$2,765,790	$1,330,000	$800,000	$650,000	$830,000
Building Size	705,475	156,995	220,000	397,020	225,000	142,930
Date of Sale	March-03	May-00	July-99	July-99	June-96	March-95
Sale Price Per Square Foot		$17.62	$6.05	$2.02	$2.89	$5.81

The five comparable sales utilized have been compared to the subject and adjustments were applied to the comparable sale prices to account for dissimilarities. The comparable sales and relevant adjustments for physical and economic characteristics are summarized in chart form in the following page.

Market Conditions

The sales were adjusted for changes in market conditions between the date of the sale and the date of valuation, March 26, 2003. Overall, industrial land prices have remained relatively stable or slightly increased in value over the past several years. We utilized an annual growth rate of 1.75% to reflect the slight increase in values over the past several years.

Location

All of the sales were considered to have similar location characteristics; consequently no adjustment was utilized for location.

Size

Typically, small properties tend to sell for higher per unit prices than larger parcels and vice versa. A size adjustment factor was not applied to the sales which were each in excess of 140,000 square feet and were each considered adequate to support an industrial use.

Condition at Sale

The subject condition is considered fair. Significant deferred maintenance has been noted and will be addressed separately in this analysis. Sale prices 1, 2, 4, and 5 were adjusted to reflect their superior physical condition at time of sale.

Construction Quality

All of the sales were considered to have similar construction characteristics and no adjustments were applied for this factor.

Age at Sale

All of the sales were considered to have similar ages with some represented as being renovated during its useful life. Each is considered to have similar age characteristics and no adjustments were utilized for age.

Utility of Improvements

Each sale was considered to have those characteristics that would be required for an industrial use including floor plan, overhead doors, reinforced foundations, and clear ceiling height. No adjustments were applied for utility factors.

Single Tenant/Multi Tenant

No adjustments were applied for single tenant/multi tenant characteristics because the market did not reflect a difference in lease rates based on single tenant or multi tenant capacity.

Land/Building Ratio

Sale 1 was adjusted downward to reflect the excess land involved with the transaction. Sales 2, 3, 4 and 5 had land/building ratios ranging from 3.76:1 to 4.55:1, while Sale 1 has a land/building ratio of 23.86:1.

Conclusion

The adjusted sale prices of the improved sales range from $2.26 to $14.83 per square foot as illustrated in the following exhibit. Giving consideration to sales 1, 2, and 5, which reflect a price range of $6.29 to $14.83 per square foot, a market value indication of $10.00 per square foot or $7,054,000 was estimated using the sales comparison approach. The cost to cure deferred maintenance has been estimated as $2,491,000. This cost is deducted from the market value indication to produce an “as is” market value estimate of **$4,600,000** using the sales comparison approach.

Income Capitalization Approach

The income capitalization approach provides a market value estimate by capitalizing the net income that a property is capable of generating through the use of an appropriate capitalization rate (direct capitalization) or yield rate (yield capitalization or discounted cash flow analysis). The subject is a large industrial facility that is currently configured for occupancy with multiple tenants. Due to the leased fee estate ownership interest in the property and its configuration for multiple tenants, the discounted cash flow method is considered most appropriate.

The discounted cash flow method presents a projection of the entire investment from the date of appraisal to the estimated termination through eventual re-sale. The actual timing of cash receipts and disbursements are plotted on an annual basis. This is a cash basis accounting technique which presents a model of the timing of anticipated cash flows unique to the subject. To assist in estimating the cash flows generated by the subject we have utilized ARGUS for Windows version 10.0.

For this report, an anticipated holding period of 10 years, which extends from March 2003 through February 2013, has been assumed. The basis and assumptions for the revenue and expense estimates follow.

<u>Potential Gross Revenue</u>

Potential Gross Revenue (PGI) consists of contract rental income, market rental income on vacant or unoccupied space and expense reimbursements.

Contract Rental Income: We have reviewed the lease contracts for the subject property. The subject is encumbered by the following three leases:

Tenant	*Sq Ft*	*Net Rent/SF*
Dallas Manufacturing	33,000	$2.00
Texas Ragtime	135,991	$1.65
ATCO	110,630	$2.00

Each of the existing tenants have renewal options (Dallas Manufacturing) or interim rental increases (Texas Ragtime and ATCO). Including the option renewal rent and interim rental increases, the contract rental rates range from $1.65 per square foot to $2.30 per square foot on a double net basis, whereby the tenants pay pro-rata share of ad valorem taxes and property casualty insurance.

Market Rental Income: We estimated a market rent rate by analyzing lease comparables within the East Texas market area. Market rent rates for industrial space with similar characteristics to the subject facility ranged from $1.37 to $3.30 per square foot of gross building area, on a triple net basis (tenant reimburses lessor the pro-rata share of maintenance, ad valorem taxes, and property casualty insurance). The market rent for the subject property is estimated at $2.05 per square foot based on a triple net lease structure, which is consistent with current contract rental rates and actual leases of similar industrial facilities.

Expense Recoveries: Expense recoveries consider the recovery of common area maintenance, property taxes, and insurance expenses from tenants. Generally, common area maintenance (CAM) includes expenses for utilities, repairs & maintenance, administrative, trash removal, security, and landscaping. Upon termination and turnover of the tenant spaces, we have assumed that expense recoveries are calculated based on a 100 percent pro-rata share of taxes, insurance, and common area maintenance. Structural maintenance is assumed to be the responsibility of the lessor, which is consistent with local market norms.

Vacancy and Credit Loss

Vacancy and collection loss is one of the single most important factors affecting value of industrial and commercial real estate within the East Texas area. There are three existing tenants occupying 279,621 square feet of the building resulting in a vacancy rate of 60.4 percent. Two tenants (Dallas Manufacturing Company and ATCO Holding Corporation) have expressed interest in leasing "option space" comprising 51,203 square feet, as described in the respective leases. The assumption made herein with respect to the option space is that, under effective and prudent management, the option space would be leased under market terms to the tenants in an as-is condition within one month of the analysis. Consequently, the vacant unoccupied space for the purpose of this analysis is estimated at 374,651 square feet or 53.1 percent of the gross building area.

The stabilized rate for vacancy and credit loss, for the purpose of this analysis, reflects a base rent and expense recapture revenue loss attributable to turnover and tenant default. Considering the subject property type, including its age, condition, and tenant configuration, we have assumed that a stabilized vacancy level of 13 percent and a credit loss of 2 percent are appropriate for the subject. Vacancy during tenant rollovers is estimated at 6 months on a typical 5-year lease.

Operating Expense Estimates

In estimating the net operating income for the subject, all expenses normally incurred in its operation must be recognized and deducted from the foregoing estimate of effective gross income estimate. Operating expenses incurred by properties like the subject include ad valorem property taxes, property casualty insurance, common area maintenance, and management fees.

Ad Valorem Property Taxes: The Henderson County Appraisal District has estimated the assessed value for the subject at $2,001,500 for taxation purposes. Based on this assessed value and the current municipal tax rates, the annual tax liability for the subject is $49,108.

Property Casualty Insurance: The insurance expense represents the annual premium for fire and extended coverage insurance plus on-site liability. We estimate insurance expenses to be $0.12 per square foot per year.

Common Area Maintenance: This expense includes repairs and maintenance (R&M) items. These items include but are not limited to general maintenance and repairs, minor HVAC repairs and supplies, plumbing repairs and electrical repairs. This expense is estimated at $0.10 per square foot per year.

Management Fees: Typically, management expenses for industrial facilities range from 2.5 to 4 percent of effective gross income. Management fees for the subject property are estimated at 3.0 percent of effective gross income.

Total Expenses

The subject's estimated stabilized annual expenses in year four (excluding leasing commissions, tenant finish-out, and capital reserves) equate to $262,788 ($0.37 per square foot) or 18 percent of year one effective gross income (EGI). The projected operating expenses based on current occupancy are $228,579 or 28 percent or effective gross income.

Leasing and Capital Costs

Tenant Finish Costs: Tenant finish costs include the cost of initial finish out allowances for new leases as well as tenant refit upon renewal. General tenant finish out for new tenants that will occupy the subject's current vacant space is estimated at $3.71 per square foot, which is based on the reported cost to cure deferred maintenance (net of roof repair costs). We have assumed that a prudent and knowledgeable owner of the property would incur the cost of curing the deferred maintenance over the period required to lease up the remaining vacant space in the building rather than all at one time. It is our opinion however that the expense to repair the roof (est. $1,100,000) would be required immediately during the first year of analysis to prevent further damage and deterioration to the improvements.

Leasing Commissions: Leasing commissions are typically based on a percentage of the total value of base rent specified in the lease. Commission rates of 4 percent for leases involving new tenants are common in the local market. For this analysis we have assumed a 4 percent commission on new tenants and 2 percent for renewals.

Capital Reserves: Property owners typically do not set aside funds each year for the ultimate replacement of such short-lived items as HVAC, the roof, and asphalt and concrete paving. However, since these items generally have a shorter economic life than the structure itself, a reserve account must be considered. The capital reserves expense has been estimated at $0.05 per square foot beginning in the second year of the analysis.

Net Cash Flow

The net cash flow is that amount of income left over after alterations, commissions and capital reserves are deducted from the net operating income. The net cash flow is projected for the 10-year period and based on the assumptions outlined herein.

Projection Assumptions

Other assumptions relied upon in the preceding cash flow projections include growth rates, contract lease length terms, rollover vacancy, renewal probability factors, and property reversion or terminal capitalization rates.

Base Inflation Rate: Future inflation expectations are based on analysis of historic economic indicators, as well as forecasts of various economic indicators which have been made by nationally recognized economists. For this analysis, an average base inflation rate of 2.5 percent (reasonably between 2.0 percent and 3.0 percent) per year is utilized for the long term of the anticipated holding period. This inflation assumption is applicable to market rents and operating expenses.

Length of Lease Terms: Leases in the local market typically vary from 3 to 10 years. The lengths of leases are typically a function of the size of the lease space and the degree of finish provided by the landlord. For this analysis a lease term of 5 years has been assumed.

Rollover Vacancy: As stated previously, the rollover vacancy is estimated to 6 months on a typical 5 year lease.

Renewal Probability: The renewal probability factor assumed in the cash flow projection is 75 percent.

PROPERTY CASH FLOW

Basis for Property Reversion

In addition to the net operating cash flow to equity, the yield on an investment must reflect the additional cash flow arising from property appreciation over the holding period. This additional cash flow is realized upon the hypothetical sale of the property at the end of a 10-year holding period.

The estimation utilizes the income producing potential of the subject at the time of the anticipated disposition. To account for this, we have applied a direct capitalization technique to the 11th year net operating income using a terminal capitalization rate (R_T) of 12.0 percent. Deducted from the reversion or future selling price is the cost of sale, which we have estimated to be 3 percent.

Discount Rate Selection

Since the use of this method of analysis attempts to replicate the overall performance of the investment from its inception to its termination, the rate utilized as a discount factor must reflect the total yield to the equity position. The discount rate utilized herein is essentially an anticipated IRR for the subject, as estimated from investment performance realized by market participants.

According to various sources such as the *Korpacz Real Estate Investor Survey* (Fourth Quarter 2002), discount rates for institutional grade industrial properties range from 9.50 percent to 12.0 percent, with an average of 10.57 percent. The subject is an older industrial facility that currently suffers from several forms of deferred maintenance. The property is also located in a semi-rural area that when combined with the property's physical constraints and current local market conditions, would warrant a higher investment return.

Although the investment vehicle being analyzed herein is real property, competition for investment dollars in other investment media is keen, and the prudent investment manager must carefully consider all alternatives. Bonds have fixed rates and face values which do not change. However, they are generally for long terms and have various degrees of security. Yields are controlled by discounting the face value in exchange transactions. If a bond is held to maturity, its yield or IRR is the face value if purchased at par value. The current yield on Baa bonds is 7.06 percent. It is our opinion that an appropriate discount rate for the subject is approximately 200 basis points higher than yields being achieved by institutional grade properties and 700 basis points higher than Baa bond yields due to the additional risks involved. Consequently, a discount rate of 14 percent is estimated for the subject.

The proceeding assumptions yield an indication of value, via the income approach of **$6,200,000**, rounded.

Lorax Industrial Facility

PROSPECTIVE PRESENT VALUE

Cash Flow Before Debt Service plus Property Resale

Discounted Annually (Endpoint on Cash Flow & Resale) over a 10-Year Period

Analysis Period	For the Year Ending	Annual Cash Flow	P.V. of Cash Flow @ 14.00%
Year 1	Feb-2004	($932,695)	($818,154)
Year 2	Feb-2005	$370,413	$285,021
Year 3	Feb-2006	$603,891	$407,609
Year 4	Feb-2007	$758,491	$449,088
Year 5	Feb-2008	$1,146,970	$595,700
Year 6	Feb-2009	$1,171,449	$533,697
Year 7	Feb-2010	$1,211,032	$483,973
Year 8	Feb-2011	$1,231,572	$431,739
Year 9	Feb-2012	$1,219,870	$375,120
Year 10	Feb-2013	$1,302,708	$351,397
Total Cash Flow		$8,083,701	$3,095,190
Property Resale @ 12% Cap Rate		$11,506,957	$3,103,930
Total Property Present Value			$6,199,120
Rounded to Thousands			$6,200,000
Per SqFt			$8.79

PERCENTAGE VALUE DISTRIBUTION

Assured Income	20.6%
Prospective Income	29.3%
Prospective Property Resale	50.1%
	100.0%

Reconciliation

We have estimated the market value of the subject by the sales comparison and income capitalization approaches. The range of value indications is as follows:

Cost Approach	N/A
Sales Comparison Approach	$4,600,000
Income Approach	$6,200,000

The approaches to value indicate a relatively wide range of market values for the subject property. The strengths and weaknesses of each approach are given consideration in reconciling a final value estimate for the subject property. The sales comparison approach was not considered a reliable indicator of market value for the subject due to the lack of recent comparable sales data and the subject's costs to cure deferred, which were deducted as a single line item. Additionally, adjustments to the comparable sales for the various elements of comparison were subjective. The income capitalization was considered the most meaningful and relevant approach for the subject because it allows for the timely expenditure of capital costs to cure deferred maintenance as new tenants enter the property. The income capitalization approach more closely approximates the actions of prudent and effective management in the curing of deferred maintenance. Also, the income capitalization approach allows for income streams and operating expenses to be modeled in accordance with existing lease terms and for objective leasing assumptions to reach stabilized operating levels.

After considering all of the relevant factors affecting value, including inspection of the subject, examination of the competitive market, and analysis of economic trends influential to the property, we concluded that a reasonable estimate of market value for the subject, as of March 26, 2003, was:

SIX MILLION DOLLARS
$6,000,000

Respectfully submitted,

Deloitte & Touche LLP

Certification

I hereby certify that Deloitte & Touche LLP was employed by Shawn K. Brown, Trustee to appraise the subject property.

Neither Deloitte & Touche LLP nor the undersigned have any present or contemplated future interest in the real estate that is the subject of this report.

We have no personal interest or bias with respect to the subject matter of this report or the parties involved other than to act as a disinterested advisor.

To the best of our knowledge and belief the statements of fact contained in this appraisal report, upon which the analyses, opinions and conclusions expressed herein are based, are true and correct.

This appraisal sets forth all of the limiting conditions (imposed by the terms of our assignment or by the undersigned) affecting the analyses, opinions and conclusions contained in this report.

John B. Solomon, MAI, Janice Wildman, and Ronnie Harris provided significant professional assistance to the undersigned. No one else assisted the undersigned in preparing the analyses, opinions and conclusions concerning the real estate set forth in this report.

The subject property was personally inspected by Ben E. Barnett, MAI and John B. Solomon, MAI on March 26, 2003.

We certify that, to the best of our knowledge and belief, the reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

We certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this report Benjamin E. Barnett, MAI has completed the requirements of the continuing education program of the Appraisal Institute.

The fee for this appraisal is not contingent on the amount of the value reported or upon anything else other than the delivery of this report.

Based on the valuation support and the resultant findings, we have formed the opinion that the market value of the leased fee estate for the subject, as of March 26, 2003, was:

SIX MILLION DOLLARS
$6,000,000

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Benjamin E. Barnett, CRE, MAI, CCIM

GENERAL BUSINESS TERMS & CONDITIONS

1. **Services.**

   a) It is understood and agreed that D&T's services may include advice, opinions or recommendations, but all decisions in connection with the implementation of such advice, opinions or recommendations shall be the responsibility of, and made by, the Client. In connection with its services hereunder, D&T shall be entitled to rely on all decisions and approvals of the Client.

   b) D&T shall be entitled to assume, without independent verification, the accuracy of all information and data that the Client and its representatives provide to D&T. D&T may use information and data furnished by others if D&T in good faith believes such information and data to be reliable; however, D&T shall not be responsible for, and D&T shall provide no assurance regarding, the accuracy of any such information or data.

   c) D&T does not assume any responsibility for, and the Client will have responsibility for, any financial and tax reporting with respect to the assets, properties or business interests covered by D&T's services. D&T shall have no responsibility for any assumptions provided by the Client or its representatives, which assumptions shall be the responsibility of the Client. D&T shall have no responsibility to address any legal matters or questions of law. Any reports, recommendations, analyses, conclusions or other documents prepared by D&T are valid only when presented in their entirety and only for the purpose stated therein. It is expressly understood that: (i) D&T's reports, recommendations, analyses, conclusions and other documents, if any, do not, in whole or in part, constitute a fairness or solvency opinion and (ii) D&T will not perform any review, audit or other attestation procedures with respect to financial information as defined by the American Institute of Certified Public Accountants and will not issue any opinion, report or other form of assurance with respect to any financial information in connection with its services hereunder.

   d) To the extent that D&T's services include assets, properties or business interests, D&T shall assume no responsibility for matters of legal description or title, and D&T shall be entitled to make, and shall have no responsibility for, the following assumptions about the subject assets, properties, or business interests: (i)Title is good and marketable, (ii) The subject assets, properties, or business interests are free and clear of any and all liens or encumbrances, (iii) There is full compliance with all applicable Federal, state, local and national regulations and laws (including, without limitation, zoning regulations), (iv) There are no encroachments, (v) The land is free of adverse soil conditions which would prohibit development of the property to its highest and best use, (vi) There is responsible ownership and competent management with respect to the subject assets, properties, or business interests, (vii) All required licenses, certificates of occupancy, consents, or legislative or administrative authority from any Federal, state, local or national government, private entity or organization have been or can be obtained or renewed for any use on which D&T's services are to be based, and (viii) Any plot plans, sketches, drawings or other exhibits that may be included in D&T's report, if any, are included only to assist the reader in visualizing the property, and D&T will not make, and shall not assume any responsibility for, any survey.

   e) D&T shall not assume any responsibility for identifying structural conditions. D&T's services will be based upon surface rights only, and no analysis will be made of the subsurface or of hazardous waste conditions, if any. D&T's services shall not take into consideration the possibility of the existence of asbestos, PCB transformers, or other toxic, hazardous or contaminated substances or underground storage tanks, or the cost of removal. D&T is not qualified to detect, and shall not be responsible for detecting such substances.

   f) D&T, by reason of its services hereunder, is not required to furnish additional work or services, or to give testimony, or to be in attendance in court with reference to the assets, properties, or business interests in question or to update any report, recommendation, analysis, conclusion or other document relating to its services for any events or circumstances occurring subsequent to the date of such report, recommendation, analysis, conclusion or other document unless arrangements acceptable to D&T have been separately agreed upon with the Client.

2. **Payment of Invoices**. Properly submitted invoices upon which payment is not received within thirty (30) days of the invoice date shall accrue a late charge of the lesser of (i) 1½% per month or (ii) the highest rate allowable by law, in each case compounded monthly to the extent allowable by law. Without limiting its rights or remedies, D&T shall have the right to halt or terminate its services entirely if payment is not received within thirty (30) days of the invoice date.

3. **Term**. Unless terminated sooner in accordance with its terms, this engagement shall terminate on the completion of D&T's services hereunder. This engagement may be terminated by either party at any time by giving written notice to the other party not less than ten (10) days before the effective date of termination. In the event of termination by the Client pursuant to this paragraph, D&T shall be entitled to payment in full for fees and expenses incurred in connection with services provided prior to the effective date of termination as well as reasonable termination expenses.

4. **Ownership**.

   a) <u>D&T Technology</u>. D&T has created, acquired or otherwise has rights in, and may, in connection with the performance of services hereunder, employ, provide, modify, create, acquire or otherwise obtain rights in, various concepts, ideas, methods, methodologies, procedures, processes, know-how, and techniques (including, without limitation, function, process, system and data models); templates; generalized features of the structure, sequence and organization of software, user interfaces and screen designs; general purpose consulting and software tools, utilities and routines; and logic, coherence and methods of operation of systems (collectively, the "D&T Technology").

b) Ownership of Deliverables. Except as provided below, upon full and final payment to D&T hereunder, the tangible items specified as deliverables or work product in the engagement letter to which these terms are attached (the "Deliverables") shall become the property of the Client. To the extent that any D&T Technology is contained in any of the Deliverables, D&T hereby grants the Client, upon full and final payment to D&T hereunder, a royalty-free, fully paid-up, worldwide, non-exclusive license to use such D&T Technology in connection with the Deliverables.

c) Ownership of D&T Property. To the extent that D&T utilizes any of its property (including, without limitation, the D&T Technology or any hardware or software of D&T) in connection with the performance of services hereunder, such property shall remain the property of D&T and, except for the license expressly granted in the preceding paragraph, the Client shall acquire no right or interest in such property. Notwithstanding anything herein to the contrary, the parties acknowledge and agree that (a) D&T shall own all right, title, and interest, including, without limitation, all rights under all copyright, patent and other intellectual property laws, in and to the D&T Technology and (b) D&T may employ, modify, disclose, and otherwise exploit the D&T Technology (including, without limitation, providing services or creating programming or materials for other clients). D&T does not agree to any terms that may be construed as precluding or limiting in any way its right to (a) provide consulting or other services of any kind or nature whatsoever to any person or entity as D&T in its sole discretion deems appropriate or (b) develop for itself, or for others, materials that are competitive with those produced as a result of the services provided hereunder, irrespective of their similarity to the Deliverables.

5. **Limitation on Warranties**. **THIS IS A SERVICES ENGAGEMENT. D&T WARRANTS THAT IT SHALL PERFORM SERVICES HEREUNDER IN GOOD FAITH. D&T DISCLAIMS ALL OTHER WARRANTIES, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.**

6. **Limitation on Damages and Indemnification**.

a) The Client agrees that D&T and its personnel shall not be liable to the Client for any claims, liabilities, or expenses relating to this engagement for an aggregate amount in excess of the fees paid by the Client to D&T pursuant to this engagement, except to the extent finally judicially determined to have resulted primarily from the bad faith or intentional misconduct of D&T. In no event shall D&T or its personnel be liable for consequential, special, indirect, incidental, punitive or exemplary loss, damage, or expense relating to this engagement.

b) The Client shall indemnify and hold harmless D&T and its personnel from all claims, liabilities, and expenses relating to this engagement, except to the extent finally judicially determined to have resulted primarily from the bad faith or intentional misconduct of D&T.

c) The provisions of this Paragraph and Paragraphs 9 and 11(b) shall apply to the fullest extent of the law, whether in contract, statute, tort (such as negligence), or otherwise. In circumstances where all or any portion of the provisions of this Paragraph or Paragraph 11(b) are finally judicially determined to be unavailable, D&T's aggregate liability for any claims, liabilities, or expenses relating to this engagement shall not exceed an amount which is proportional to the relative fault that D&T's conduct bears to all other conduct giving rise to such claims, liabilities, or expenses.

7. **Cooperation**. The Client shall cooperate with D&T in the performance by D&T of its services hereunder, including, without limitation, providing D&T with reasonable facilities and timely access to data, information and personnel of the Client. The Client shall be responsible for the performance of its personnel and agents and for the accuracy and completeness of all data and information provided to D&T for purposes of the performance by D&T of its services hereunder.

8. **Force Majeure**. D&T shall not be liable for any delays or non-performance resulting from circumstances or causes beyond its reasonable control, including, without limitation, acts or omissions or the failure to cooperate by the Client (including, without limitation, entities or individuals under its control, or any of their respective officers, directors, employees, other personnel and agents), acts or omissions or the failure to cooperate by any third party, fire or other casualty, act of God, strike or labor dispute, war or other violence, or any law, order or requirement of any governmental agency or authority.

9. **Limitation on Actions**. No action, regardless of form, relating to this engagement, may be brought by either party more than one year after the cause of action has accrued, except that an action for non-payment may be brought by a party not later than one year following the date of the last payment due to such party hereunder.

10. **Independent Contractor**. It is understood and agreed that each of the parties hereto is an independent contractor and that neither party is, nor shall be considered to be, an agent, distributor, partner, fiduciary or representative of the other. Neither party shall act or represent itself, directly or by implication, in any such capacity in respect of the other or in any manner assume or create any obligation on behalf of, or in the name of, the other.

11. **Confidentiality and Internal Use.**

a) The Client agrees that all services hereunder and Deliverables shall be solely for the Client's informational purposes and internal use, and are not intended to be and should not be used by any person or entity other than the Client. The Client further agrees that such services and Deliverables shall not be circulated, quoted, disclosed, or distributed to, nor shall reference to such services or Deliverables be made to, any person or entity other than the Client.

b) Notwithstanding anything to the contrary in these terms or the engagement letter to which these terms are attached, (i) D&T hereby acknowledges and agrees that there are no conditions of confidentiality associated with the tax services, if any, provided by D&T or its personnel under these terms or such engagement letter, (ii) neither D&T nor any party known to D&T has or claims to have any proprietary interest in the terms or substance of any tax services, if any, provided by D&T or its personnel under these terms or such engagement letter, and (iii) except as otherwise provided in this subparagraph (b), all services in connection with this engagement shall be solely for the Client's informational purposes and internal use, and this engagement does not create privity between D&T and any third party. This engagement is not intended for the express or implied benefit of any third party. No third party is entitled to rely, in any manner, or for any purpose, on the advice, opinions, reports, or other services or Deliverables of D&T. The Client further agrees that the advice, opinions, reports and Deliverables issued by D&T shall not be distributed to any third party without the prior written consent of D&T. D&T agrees that such consent will ordinarily be granted with respect to tax-related materials, provided that the Client makes a specific written request of D&T and the third party seeking such tax-related materials executes an acknowledgment of non-reliance and a release acceptable to D&T. In order to protect D&T from any unauthorized reliance or claims, and from breach of the Client's obligation not to distribute D&T's advice, opinion, reports or Deliverables to any third party without D&T's prior written consent, the Client agrees to indemnify and hold harmless D&T and its personnel from all claims, liabilities, and expenses relating to such a breach. However, nothing in this Paragraph 11 shall be construed as limiting or restricting disclosure of every aspect of D&T's tax services, if any, provided under these terms or the engagement letter to which these terms are attached for purposes of §6111(d) of the Internal Revenue Code. This subparagraph (b) is intended to ensure that D&T is not in legal privity with any third party.

c) To the extent that, in connection with this engagement, D&T comes into possession of any proprietary or confidential information of the Client, D&T will not disclose such information to any third party without the Client's consent, except (a) as may be required by law, regulation, judicial or administrative process, or in accordance with applicable professional standards, or in connection with litigation pertaining hereto, or (b) to the extent such information (i) shall have otherwise become publicly available (including, without limitation, any information filed with any governmental agency and available to the public) other than as the result of a disclosure by D&T in breach hereof, (ii) is disclosed by the Client to a third party without substantially the same restrictions as set forth herein, (iii) becomes available to D&T on a nonconfidential basis from a source other than the Client which D&T believes is not prohibited from disclosing such information to D&T by obligation to the Client, (iv) is known by D&T prior to its receipt from the Client without any obligation of confidentiality with respect thereto, or (v) is developed by D&T independently of any disclosures made by the Client to D&T of such information

12. **Survival and Interpretation**. The agreements and undertakings of the Client contained in the engagement letter to which these terms are attached, together with the provisions of Paragraphs 1, 2, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15 and 16 hereof, shall survive the expiration or termination of this engagement. For purposes of these terms, "D&T" shall mean Deloitte & Touche LLP and its subsidiaries; to the extent providing services under the engagement letter to which these terms are attached, Deloitte Touche Tohmatsu, its member firms, and the affiliates of Deloitte & Touche LLP, Deloitte Touche Tohmatsu and its member firms; all of their partners, principals, members, owners, directors, staff and agents; and in all cases any successor or assignee.

13. **Assignment.** Except as provided below, neither party may assign, transfer or delegate any of its rights or obligations hereunder (including, without limitation, interests or claims relating to this engagement) without the prior written consent of the other party. D&T may, without the consent of the Client, assign or subcontract its rights and obligations hereunder to (a) any affiliate or related entity or (b) any entity which acquires all or a substantial part of the assets or business of D&T.

14. **Waiver of Jury Trial. D&T AND THE CLIENT HEREBY IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER IN CONTRACT, STATUTE, TORT (SUCH AS NEGLIGENCE), OR OTHERWISE) RELATING TO THIS ENGAGEMENT.**

15. **Entire Agreement, Amendment and Notices.** These terms, and the engagement letter to which these terms are attached, including exhibits, constitute the entire agreement between D&T and the Client with respect to this engagement, supersede all other oral and written representations, understandings or agreements relating to this engagement, and may not be amended except by written agreement signed by the parties. In the event of any conflict, ambiguity, or inconsistency between these terms and the engagement letter to which these terms are attached, these terms shall govern and control. All notices hereunder shall be (i) in writing, (ii) delivered to the representatives of the parties at the addresses first set forth above, unless changed by either party by notice to the other party, and (iii) effective upon receipt.

16. **Governing Law and Severability.** These terms, the engagement letter to which these terms are attached, including exhibits, and all matters relating to this engagement (whether in contract, statute, tort (such as negligence), or otherwise), shall be governed by, and construed in accordance with, the laws of the State of New York (without giving effect to the choice of law principles thereof). If any provision of such terms or engagement letter is found by a court of competent jurisdiction to be unenforceable, such provision shall not affect the other provisions, but such unenforceable provision shall be deemed modified to the extent necessary to render it enforceable, preserving to the fullest extent permissible the intent of the parties set forth herein.