

NEWMARK VALUATION & ADVISORY

# 3610 North University Drive

3610 North University Drive  
Nacogdoches, Nacogdoches County, TX 75965

Newmark Job No.: 25-0228858-1  
Client Reference: File ID: 250523001

## Appraisal Report Prepared For:

Appraisal Department  
American National Bank & Trust  
17440 Dallas Parkway, Suite 203  
Dallas, TX 75287

## Prepared By:

**Newmark Valuation & Advisory**  
2601 Olive Street, Suite 1600  
Dallas, TX 75201



**NEWMARK**

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## NEWMARK VALUATION & ADVISORY

June 11, 2025

Appraisal Department  
American National Bank & Trust  
17440 Dallas Parkway, Suite 203  
Dallas, TX 75287

RE: Appraisal Of A Single-Tenant Health Care Property Known As 3610 North University Drive Located At 3610 North University Drive, Nacogdoches, Nacogdoches County, TX 75965, Prepared By Newmark Valuation & Advisory, LLC (herein "Firm" or "Newmark")

Newmark Job No.: 25-0228858-1  
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Dear Appraisal Department:

The "Subject Property" is a 12,546-square foot 1-story single-tenant health care-ambulatory surgery center property known as 3610 North University Drive located within the city of Nacogdoches, Texas. The improvements are in average condition, are of average quality and tenant appeal, and were built in 2000. The site encompasses approximately 2.372 acres (103,324 square feet) and is located along North University Drive, south of NE Stallings Drive. The property is 100% leased and occupied by Foundation Surgery Affiliate of Nacogdoches LLC. The new 10-year lease has a rent commencement date of September 1, 2025.

### Key Value Considerations

#### Strengths

1. Well located in the neighborhood with adequate access and proximity to local hospitals
2. New 10-year lease with scheduled annual increases, backed by a personal guarantor
3. Well-maintained asset for its age and physically adequate for ambulatory surgery center use

#### Risk Factors

1. Located in an outlying east Texas location
2. Larger, older single-tenant specialized-use property that could be difficult to backfill
3. Competition from potential newer facilities given land availability

National Trends and Uncertainties

- 1. Newmark Capital Markets assesses that there was a momentum shift in the 4th quarter, leading to both transaction volume and lending volume increasing year-over-year. However, they also note that the notable increase in interest rates since early December complicates matters.
- 2. Real Capital Analytics reported in their end of 2024 Capital Trends publication that “the commercial property markets turned a corner in 2024.” Deal volume climbed in 2024 and price declines are coming to an end overall.
- 3. The uncertainty surrounding the new U.S. administration’s economic policies will be an overhang and the Federal Reserve is expected to pause any additional rate reductions until the effects of these policies are better understood.

Based on the analysis contained in the following report, the opinion of value for the subject is:

Value Conclusions			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value "As Is"	Leased Fee	6/5/2025	\$5,070,000
Compiled by Newmark			

Extraordinary Assumptions

An extraordinary assumption is defined in USPAP as an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser’s opinions or conclusions. The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results.

- 1. None

Hypothetical Conditions

A hypothetical condition is defined in USPAP as a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. The value conclusions are based on the following hypothetical conditions that may affect the assignment results.

- 1. None

The appraisal was developed based on, and this report has been prepared in conformance with the Client’s appraisal requirements, the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the current edition as of the date of this report of the Uniform Standards of Professional Appraisal Practice, the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice

of the Appraisal Institute, Title XI of the Financial Institution Reform, Recovery and Enforcement Act (FIRREA) of 1989, and the Interagency Appraisal and Evaluation Guidelines (December 2, 2010).

# Certification

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. 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.
7. This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the current edition as of the date of this report of the Uniform Standards of Professional Appraisal Practice, as well as the requirements of the State of Texas.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. As of the date of this report, (Eric) Hoi Ting Chan, MAI, David Thibodeaux, MAI, and Paul Tibbit, JD, MAI have completed the continuing education program for Designated Members of the Appraisal Institute.
12. (Eric) Hoi Ting Chan, MAI made a personal inspection of the property that is the subject of this report. David Thibodeaux, MAI and Paul Tibbit, JD, MAI have not personally inspected the subject.
13. No one provided significant real property appraisal assistance to the person(s) signing this certification.
14. The Firm operates as an independent economic entity. Although employees of other service lines or affiliates of the Firm may be contacted as a part of our routine market research investigations, absolute client confidentiality and privacy were maintained at all times with regard to this assignment without conflict of interest.
15. Within this report, "Newmark", "Newmark Valuation & Advisory", "Newmark, Inc.", and similar forms of reference refer only to the appraiser(s) who have signed this certification and any persons noted above as having provided significant real property appraisal assistance to the persons signing this report.

16. (Eric) Hoi Ting Chan, MAI has not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment. David Thibodeaux, MAI has not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment. Paul Tibbit, JD, MAI has not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.



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# Table of Contents

## **Appraisal Transmittal and Certification**

Certification  
Table of Contents  
Subject Maps  
Subject Photographs

## **Executive Summary .....12**

## **Introduction.....14**

## **Economic Analysis .....17**

National Trends and Uncertainties..... 17  
Area Analysis ..... 18  
Market Area Analysis.....25  
Medical Office Market Analysis..... 31

## **Land and Site Analysis .....38**

## **Zoning and Legal Restrictions .....43**

## **Improvements Analysis .....45**

## **Real Estate Taxes .....49**

## **Highest and Best Use .....51**

## **Appraisal Methodology.....53**

## **Insurable Value .....54**

## **Sales Comparison Approach .....57**

Sales Comparison Approach Conclusion  
..... 62

## **Income Capitalization Approach.....64**

Market Rent Analysis..... 67  
Operating Expense Analysis..... 76  
Direct Capitalization ..... 79  
Direct Capitalization Summary ..... 83

## **Reconciliation of Value .....85**

## **Assumptions and Limiting Conditions ..88**

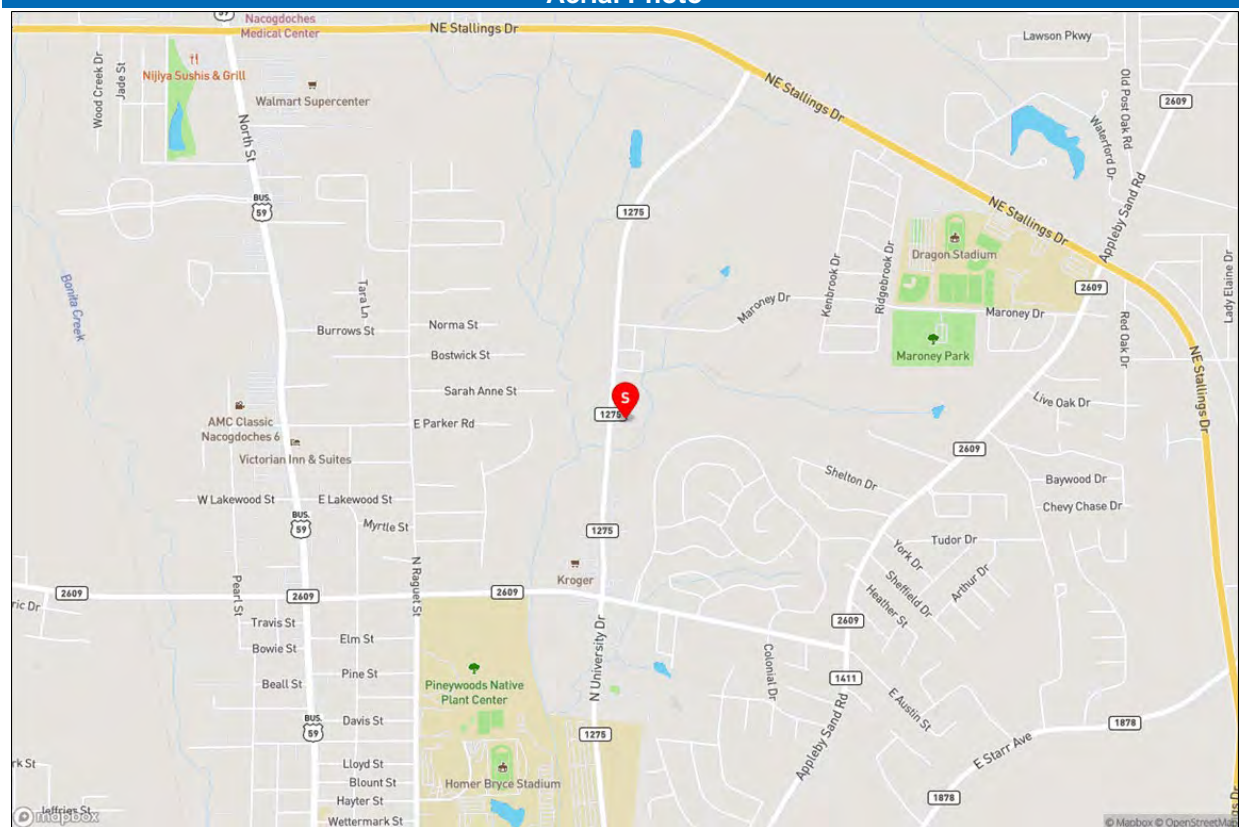
## **Addenda**

- A. Glossary of Terms
- B. Engagement Letter
- C. Legal Description
- D. Financials and Property Information
- E. Comparable Data
  - Improved Sales
  - Lease Comparables
- F. Appraiser Qualifications and Licenses





Aerial Photo



Location Map





Front View



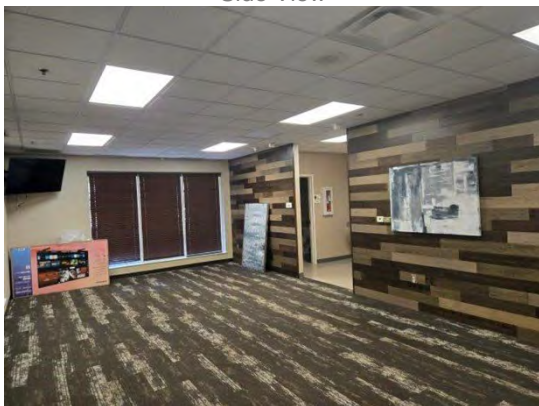
Front View



Side View



Rear View



Waiting area



Recovery Room



Recovery Area



Staff Lounge



Typical Restroom



Office Storage Area



Typical Operating Room



Typical Operating Room





Nurses Station



Generator



Hallway



Street view

# Executive Summary

## 3610 North University Drive

Property Type:	Health Care-Ambulatory Surgery Center
Street Address:	3610 North University Drive
City, State & Zip:	Nacogdoches, Nacogdoches County, TX 75965
Gross Building Area (SF):	12,546
Net Rentable Area (SF):	12,546
Year Built:	2000
Current Occupancy:	100.0%
Land Area:	2.372 acres; 103,324 SF
Zoning:	B-2
Highest and Best Use - As Vacant:	A Health Care Use
Highest and Best Use - As Improved:	Health Care Use

### Analysis Details

Valuation Date:	June 5, 2025
Market Value "As Is"	June 5, 2025
Inspection Date and Date of Photos:	June 11, 2025
Report Date:	Appraisal Report
Report Type:	American National Bank & Trust
Client:	Asset Valuation/Loan Servicing and no other use is permitted.
Intended Use:	American National Bank & Trust and no other user is permitted by any other party for any other purpose.
Intended User:	Market Value "As Is", Insurable Value
Appraisal Premise:	The intended use and user of our report are specifically identified in our report as agreed upon in our contract for services and/or reliance language found in the report. No other use or user of the report is permitted by any other party for any other purpose. Dissemination of this report by any party to non-client, non-intended users does not extend reliance to any other party and Newmark will not be responsible for unauthorized use of the report, its conclusions or contents used partially or in its entirety.
Intended Use and User:	
Interest Appraised:	Leased Fee
Exposure Time (Marketing Period) Estimate:	9 Months (9 Months)

Compiled by Newmark

## Leasing Summary

Number of Tenants	1
Average Contract Rent/SF	\$30.00
Average Market Rent/SF	\$30.00

MLA Space Type Summary	Rentable SF	% Leased	% of Total			
			Contract Rent	Contract Rent PSF	Market Rent PSF	Contract as % of Market
Health Care Space:	12,546	100.0%	100.00%	\$30.00	\$30.00	100.0%
Total	12,546	100.0%	100.0%	\$30.00	\$30.00	100.0%

## Valuation Summary

Insurable Value	\$/SF	\$ Total
Total Insurable Replacement Cost	\$266.22	\$3,340,000
Total Insurable Value	\$239.92	\$3,010,000
Actual Cash Value	\$133.11	\$1,670,000

Sales Comparison Approach		\$/SF	\$ Total
Number of Sales			6
Range of Sale Dates			Dec-23 to Jun-25
Adjusted Range of Comparables (\$/SF)			\$342.65 to \$474.34
Stabilization Discount			(\$120,000)
Indicated Sales Comparison Approach Value	As Is	\$406.50	\$5,100,000

Income Capitalization Approach - Direct Capitalization Method		\$/SF	\$ Total
Capitalization Rate Indicators and Conclusion		Indication	
Comparable Health Care Sales Range		6.00% - 7.70%	
Investor Surveys		6.20% - 8.63%	
Market Participants		6.50% - 7.50%	
Band of Investment		8.00%	
Concluded Going-In Capitalization Rate		7.25%	
Stabilized Income Estimate			
Potential Gross Income		\$38.69	\$485,383
Stabilized % Vacancy & Collection Loss		0.00%	\$0
Effective Gross Income		\$38.69	\$485,383
Operating Expenses		\$8.69	\$109,003
Operating Expense Ratio			22.5%
Net Operating Income		\$30.00	\$376,380
Capitalization Rate			7.25%
Indicated Income Capitalization Approach Value	As Is	\$404.11	\$5,070,000
<b>Market Value Conclusions</b>	<b>As Is</b>	<b>\$404.11</b>	<b>\$5,070,000</b>
Exposure / Marketing Time			
Concluded Exposure Time		9 Months or Less	
Concluded Marketing Time		9 Months or Less	

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### Extraordinary Assumptions and Hypothetical Conditions

An extraordinary assumption is defined in USPAP as an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results.

1. None

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1. None

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# Introduction

## OWNERSHIP HISTORY

The current owner is Nacogdoches ASC Texas LLC. The following summarizes a three-year history of ownership, the current listing status, and pending transactions for the subject property (as applicable).

Ownership History	
Previous Sales	
Date of Sale:	November 20, 2024
Most Recent Reported Sale:	November 20, 2024
Buyer:	Nacogdoches ASC Texas LLC
Seller:	Foundation Surgery Affiliate
Purchase Price:	\$2,500,000                      \$199.27 Per SF (Net Rentable Area)
Deed Information:	Special Warranty Deed with Vendor's Lien
Comments:	Document No: 2024-7963

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To the best of our knowledge, no other sale or transfer of ownership has taken place within a three-year period prior to the effective date of the appraisal.

The property sold 7 months for a reported purchase price estimate of \$2,500,000, or \$199.27 PSF. According to the property contact, Josh Swiercinsky, the estimated purchase price appears accurate and consists of \$1,500,000 per Costar, and an additional loan payoff of \$1,000,000. Although attempts were made, we were unable to confirm the transaction details with the involved brokers. Per Costar, the property was listed on the market for 7 months. The property contact indicated the property was 100 percent vacant at the time of sale. Since the acquisition, the newer owner spent approximately \$250,000 to rehab the building, including the rough-in plumbing and sanitary sewer work per the lease. A new 10-year lease with the current tenant was executed in March 2025. The property contact further indicated all leasing costs have been paid, and confirmed this was not a sale-leaseback transaction.

Our market value conclusion differs significantly from the prior sale price due primarily to the new 10-year lease and the reported building improvements completed since acquisition.

## INTENDED USE AND USER

The intended use and user of our report are specifically identified in our report as agreed upon in our contract for services and/or reliance language found in the report. No other use or user of the report is permitted by any other party for any other purpose. Dissemination of this report by any party to non-client, non-intended users does not extend reliance to any other party and Newmark



will not be responsible for unauthorized use of the report, its conclusions or contents used partially or in its entirety.

- The intended use of the appraisal is for asset valuation/loan servicing and no other use is permitted.
- The client is American National Bank & Trust.
- The intended user is American National Bank & Trust and no other user is permitted by any other party for any other purpose.

## DEFINITION OF VALUE

Market value is defined as:

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

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

*(Source: Code of Federal Regulations, Title 12, Chapter I, § 34.42[h]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)*

## APPRAISAL REPORT

This appraisal is presented in the form of an appraisal report, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of USPAP. This report incorporates sufficient information regarding the data, reasoning and analysis that were used to develop the opinion of value in accordance with the intended use and user.

## PURPOSE OF THE APPRAISAL & INTEREST APPRAISED

The primary purpose of the appraisal is to develop an opinion of the Market Value "As Is" of the Leased Fee interest in the property. (Please see Glossary of Terms for definition(s) of interest(s) appraised)

Purpose of the Appraisal		
Appraisal Premise	Interest Appraised	Date of Value
Market Value "As Is"	Leased Fee	6/5/2025
Insurable Value		6/5/2025

*Compiled by Newmark*

## SCOPE OF WORK

### Extent to Which the Property is Identified

- Physical characteristics
- Legal characteristics
- Economic characteristics

### Extent to Which the Property is Inspected

Newmark inspected the subject property on June 5, 2025 as per the defined scope of work. (Eric Hoi Ting Chan, MAI made a personal inspection of the property that is the subject of this report. David Thibodeaux, MAI and Paul Tibbit, JD, MAI have not personally inspected the subject.

### Type and Extent of the Data Researched

- Exposure and marketing time;
- Neighborhood and land use trends;
- Demographic trends;
- Market trends relative to the subject property type;
- Physical characteristics of the site and applicable improvements;
- Flood zone status;
- Zoning requirements and compliance;
- Real estate tax data;
- Relevant applicable comparable data; and
- Investment rates

### Type and Extent of Analysis Applied

We analyzed the property and market data gathered through the use of appropriate, relevant, and accepted market-derived methods and procedures. Further, we employed the appropriate and relevant approaches to value, and correlated and reconciled the results into an estimate of market value, as demonstrated within the appraisal report. The applied scope of work is appropriate and sufficient to produce credible assignment results for the intended use of this report.

# Economic Analysis

## NATIONAL TRENDS AND UNCERTAINTIES

Newmark Capital Markets assesses that there was a momentum shift in the 4th quarter, leading to both transaction volume and lending volume increasing year-over-year. However, they also note that the notable increase in interest rates since early December complicates matters. Real Capital Analytics (RCA) concurred as they reported in their end of 2024 Capital Trends publication that “the commercial property markets turned a corner in 2024.” Deal volume climbed in 2024 and price declines are coming to an end overall. Along with higher interest rates, capitalization rates rose quickly starting in 2022, and bid-ask spreads widened. While these trends have moderated and cap rates are beginning to reverse direction, the impacts are still present and remain major drivers of current CRE market conditions.

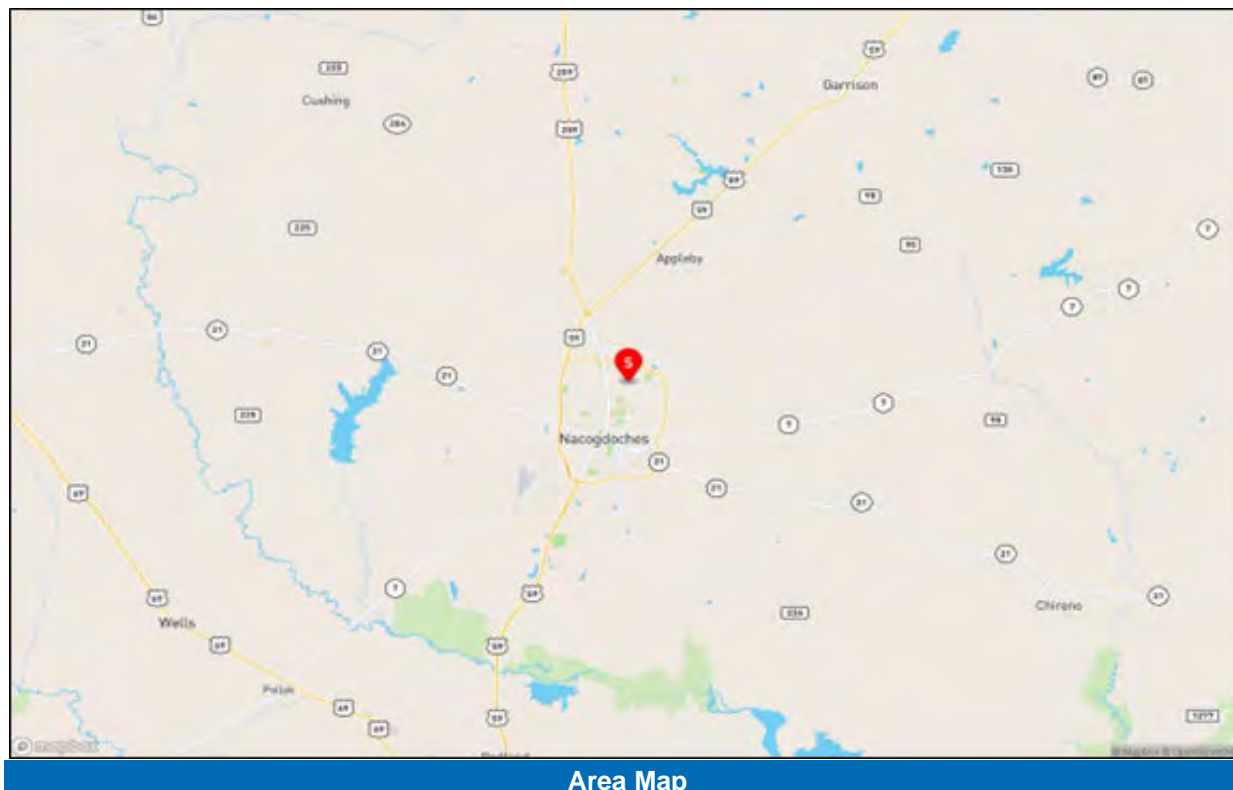
Investors are adjusting to the new reality by modifying their investment strategies, leading to a narrowing of the bid-ask spread. Transaction volume for 2024 ended 9% above 2023 levels at \$420.4 billion according to RCA. RCA and Green Street have both observed that CRE property prices have started to inch higher again, despite the impacts of high borrower rates. The January 15, 2025 Federal Reserve Beige Book noted “cautious optimism continues to prevail among survey respondents given modestly positive trends in loan demand, wage growth, and consumer spending.” At the same time, RCA notes that distress continues to rise, with office properties accounting for 40-45% of the total value of distressed assets but multifamily dominating the most recent additions to the distress totals.

The Federal Reserve's prior actions engineered the fastest increase in interest rates in their history - rising to a high of 5.25-5.50% for the Federal Funds rate in July 2023. Three reductions at the end of 2024 has brought this range to 4.25-4.50%. However, the 10 year Treasury rate did not follow suit. Moody's Analytics Chief Economist Mark Zandi expects the Federal Reserve to pause interest rate reductions until late in the year. Zandi points to tariffs being likely to increase inflation and also that the Federal Reserve will be closely watching the new U.S. administration's actions before moving. Other commentators expect faster reductions but the uncertainty of economic policies are part of the reason that long-term rates remain at elevated levels. Interest rates have been unusually low for upwards of 15 years but have now reversed to higher levels for the past two. As interest rates return to an equilibrium level, they will still likely be higher than those observed in the periods prior to 2022.

It will take time for the effects of higher interest rates to reverse. Interest rates have declined from their peak in October 2023, and debt market conditions have improved – at least marginally. The majority of investors surveyed by PwC expect capitalization rates to hold steady over the next six

months. The RCA Commercial Property Pricing Index reflected only a -0.7% loss for the year. While investors are taking a more optimistic view and metrics such as sales volume have improved, the uncertainty of economic policies remains an overhang. We have considered and will address these issues throughout this appraisal and report, including in our determinations of overall capitalization rates, discount rates, market rent assumptions, market conditions adjustments, and growth of rents and expenses where applicable.

## AREA ANALYSIS



Area Map

The subject is located within Nacogdoches and Nacogdoches County, Texas. It is near the Tyler metro area (Tyler MSA).

Moody's Analytics' Economy.com provides the following economic summary for the Tyler MSA as of January, 2025.

Moody's Analytics Précis® Metro Indicators: Tyler MSA												
2018	2019	2020	2021	2022	2023	INDICATORS	2024	2025	2026	2027	2028	2029
12.9	13.3	13.1	13.8	14.1	15.1	Gross metro product (C17\$ bil)	15.7	16.2	16.7	17.2	17.8	18.4
4.4	3.2	-1.6	5.1	2.3	7.4	% change	3.7	3.3	3.0	3.1	3.4	3.5
106.6	107.9	104.7	107.8	112.7	116.4	Total employment (ths)	117.5	119.8	121.5	122.8	124.2	125.6
1.7	1.2	-2.9	3.0	4.5	3.3	% change	1.0	1.9	1.4	1.1	1.1	1.2
3.7	3.3	6.8	5.2	3.8	3.6	Unemployment rate (%)	3.8	3.9	3.7	3.6	3.5	3.5
7.5	1.6	0.7	14.6	7.2	3.5	Personal income growth (%)	3.2	4.9	5.8	5.7	5.6	5.9
57.0	59.1	61.1	64.2	68.0	72.3	Median household income (\$ ths)	74.5	77.0	80.3	83.6	86.6	89.6
228.8	231.6	234.2	237.6	243.0	247.5	Population (ths)	251.9	255.5	258.1	260.5	262.8	265.2
1.3	1.2	1.1	1.4	2.3	1.8	% change	1.8	1.4	1.0	0.9	0.9	0.9
2.0	2.0	2.3	3.4	5.2	3.9	Net migration (ths)	3.8	3.0	2.1	1.8	1.8	1.8
478	592	635	741	739	468	Single-family permits (#)	462	594	631	636	634	619
182	65	193	171	153	285	Multifamily permits (#)	130	108	122	137	146	147
5.3	4.6	5.6	13.7	22.2	5.8	FHFA house price index (% chang	2.7	1.1	1.1	1.7	2.4	2.6

Source: Moody's Analytics Précis® US Metro

Moody's summarizes the area's economic performance in recent months as follows:

### Recent Performance

Tyler MSA's economy has shifted into high gear. Nonfarm payrolls have been on a firm upward trend for the past year, and job growth has been more than double the national rate in recent months. Key drivers such as healthcare and construction have contributed to this stronger performance. In addition, a swift rebound in professional/business services has also boosted the local job market. The unemployment rate has held steady over the last year and remains below the state and national rates. Net domestic migration has slowed from its pandemic heights but remains well above the average over the last decade, which has helped push labor force growth ahead of the state and national pace. The real estate market has been shaky this past year, but house prices have remained on an upward trajectory.

### Market Comparison

The following table illustrates key economic indicators and a comparison of the Tyler MSA to the regional grouping as a whole. As indicated, Tyler is projected to outperform the National Region Metros in seven of eight performance categories shown over the next five years.

Comparison of Key Economic Indicators - Tyler MSA Metro to National Region										
Indicator	Tyler MSA			Annual Growth		National			Annual Growth	
	2019	2024	2029	2019 - 2024	2024 - 2029	2019	2024	2029	2019 - 2024	2024 - 2029
Gross metro product (C17\$ bil)	13.3	15.7	18.4	3.3%	3.3%	20,692	22,896	25,388	2.0%	2.1%
Total employment (ths)	107.9	117.5	125.6	1.7%	1.3%	150,906	158,612	161,729	1.0%	0.4%
Unemployment rate (%)	3.3%	3.8%	3.5%			3.7%	4.0%	4.0%		
Personal income growth (%)	1.6%	3.2%	5.9%			4.7%	4.7%	4.6%		
Population (ths)	231.6	251.9	265.2	1.7%	1.0%	330,487	336,438	342,546	0.4%	0.4%
Single-family permits (#)	592	462	619	-4.8%	6.0%	888,667	1,035,880	1,124,838	3.1%	1.7%
Multifamily permits (#)	65	130	147	14.8%	2.5%	402,833	345,083	370,405	-3.0%	1.4%
FHFA house price index (% change)	4.6	2.7	2.6	-10.3%	-0.5%	N/A	N/A	N/A	N/A	N/A
Tyler MSA outperforming National Region Metros										
Tyler MSA underperforming National Region Metros										

Source: Moody's Analytics Précis® US Metro; Compiled by Newmark

## Employment Sectors and Trends

Employment data by occupation and business/industry sectors provides an indication of the amount of diversification and stability in the local economy. Job sector composition also gives an indication of the predominant drivers of current and future demand for supporting commercial real estate sectors. The following tables display employment data by occupation sector and by business/industry sector for the area and region.

Current Employment by Occupation Sector										
Occupation Sector	75965		Nacogdoches City		Nacogdoches County		Tyler, TX MSA		Texas	
Administrative Support	1,104	13.4%	1,670	11.7%	3,065	10.9%	11,799	10.3%	1,604,100	10.7%
Management/Business/Financial	1,074	13.1%	1,367	9.5%	3,018	10.8%	15,620	13.7%	2,735,324	18.2%
Professional	2,409	29.3%	3,563	24.9%	6,344	22.6%	26,577	23.3%	3,595,877	23.9%
Sales and Sales Related	857	10.4%	1,740	12.1%	2,864	10.2%	11,565	10.1%	1,397,191	9.3%
Construction/Extraction	250	3.0%	783	5.5%	2,117	7.6%	6,792	6.0%	952,065	6.3%
Farming/Fishing/Forestry	10	0.1%	37	0.3%	116	0.4%	408	0.4%	40,829	0.3%
Installation/Maintenance/Repair	288	3.5%	519	3.6%	1,302	4.6%	2,768	2.4%	489,289	3.3%
Production	402	4.9%	1,062	7.4%	2,200	7.8%	6,956	6.1%	695,152	4.6%
Transportation/Material Moving	436	5.3%	867	6.1%	1,841	6.6%	11,004	9.6%	1,166,497	7.8%
<b>Total Employees (16+ Occupation Base)</b>	<b>8,228</b>	<b>100.0%</b>	<b>14,324</b>	<b>100.0%</b>	<b>28,037</b>	<b>100.0%</b>	<b>114,050</b>	<b>100.0%</b>	<b>15,048,852</b>	<b>100.0%</b>

Source: ESRI; Compiled by Newmark

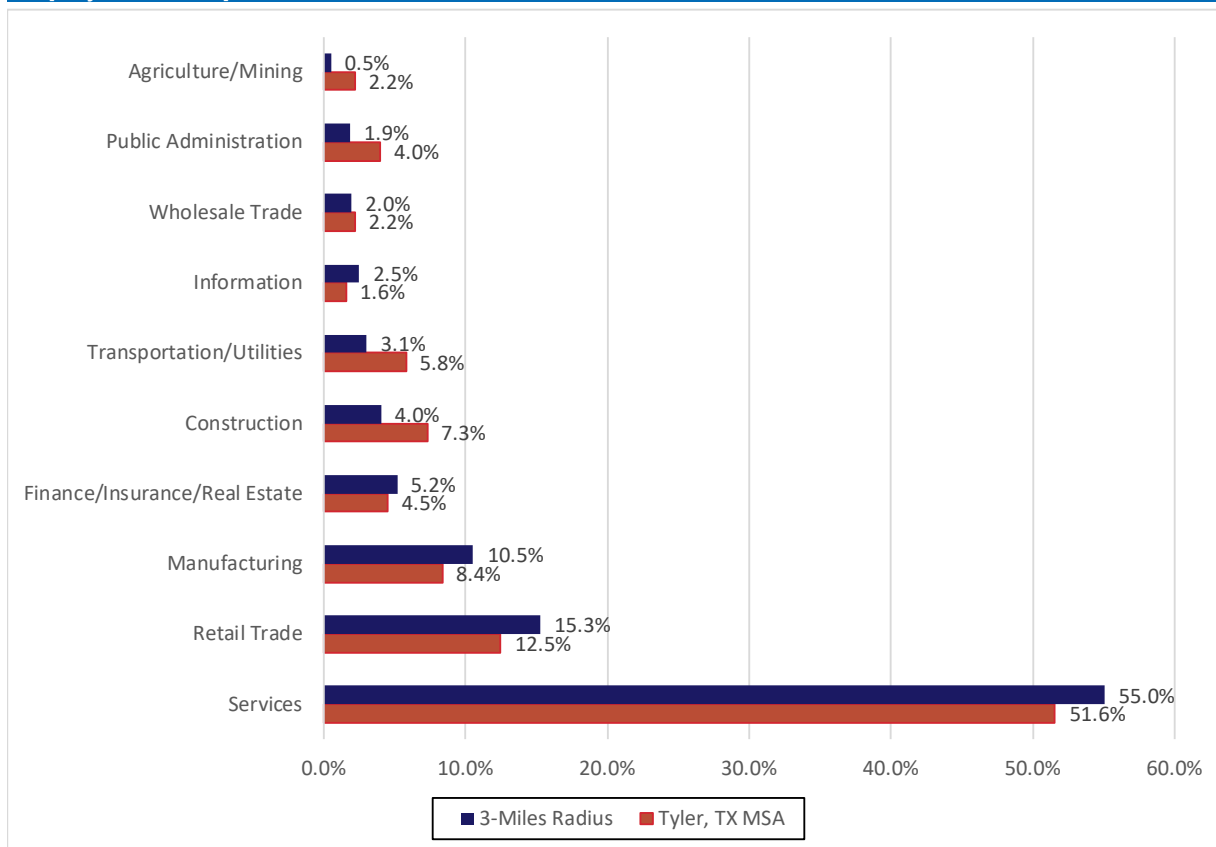
Current Employment by Industry Sector										
Industry Sector	75965		Nacogdoches City		Nacogdoches County		Tyler, TX MSA		Texas	
Agriculture/Mining	110	1.3%	133	0.9%	733	2.6%	2,498	2.2%	304,772	2.0%
Construction	244	3.0%	899	6.3%	2,261	8.1%	8,323	7.3%	1,329,286	8.8%
Manufacturing	854	10.4%	1,719	12.0%	3,679	13.1%	9,534	8.4%	1,277,518	8.5%
Wholesale Trade	140	1.7%	274	1.9%	544	1.9%	2,504	2.2%	340,856	2.3%
Retail Trade	1,018	12.4%	2,195	15.3%	3,867	13.8%	14,227	12.5%	1,642,624	10.9%
Transportation/Utilities	273	3.3%	363	2.5%	955	3.4%	6,608	5.8%	1,039,525	6.9%
Information	261	3.2%	312	2.2%	527	1.9%	1,818	1.6%	250,877	1.7%
Finance/Insurance/Real Estate	444	5.4%	591	4.1%	1,106	3.9%	5,163	4.5%	1,064,715	7.1%
Services	4,580	55.7%	7,546	52.7%	13,450	48.0%	58,819	51.6%	7,146,197	47.5%
Public Administration	304	3.7%	292	2.0%	915	3.3%	4,556	4.0%	652,482	4.3%
<b>Total Employees (16+ Occupation Base)</b>	<b>8,228</b>	<b>100.0%</b>	<b>14,324</b>	<b>100.0%</b>	<b>28,037</b>	<b>100.0%</b>	<b>114,050</b>	<b>100.0%</b>	<b>15,048,852</b>	<b>100.0%</b>

Source: ESRI; Compiled by Newmark



Comparing the industry sectors for the local market area (3-Miles Radius) to Tyler, TX MSA indicates the local market area is somewhat more heavily weighted toward the Services, Retail Trade, Manufacturing, Information, and Finance/Insurance/Real Estate sectors. By contrast, the industry employment totals for Tyler, TX MSA indicate somewhat higher proportions within the Construction, Transportation/Utilities, Public Administration, Agriculture/Mining, and Wholesale Trade sectors. The following graphic further illustrates this comparison.

### Employment Comparison

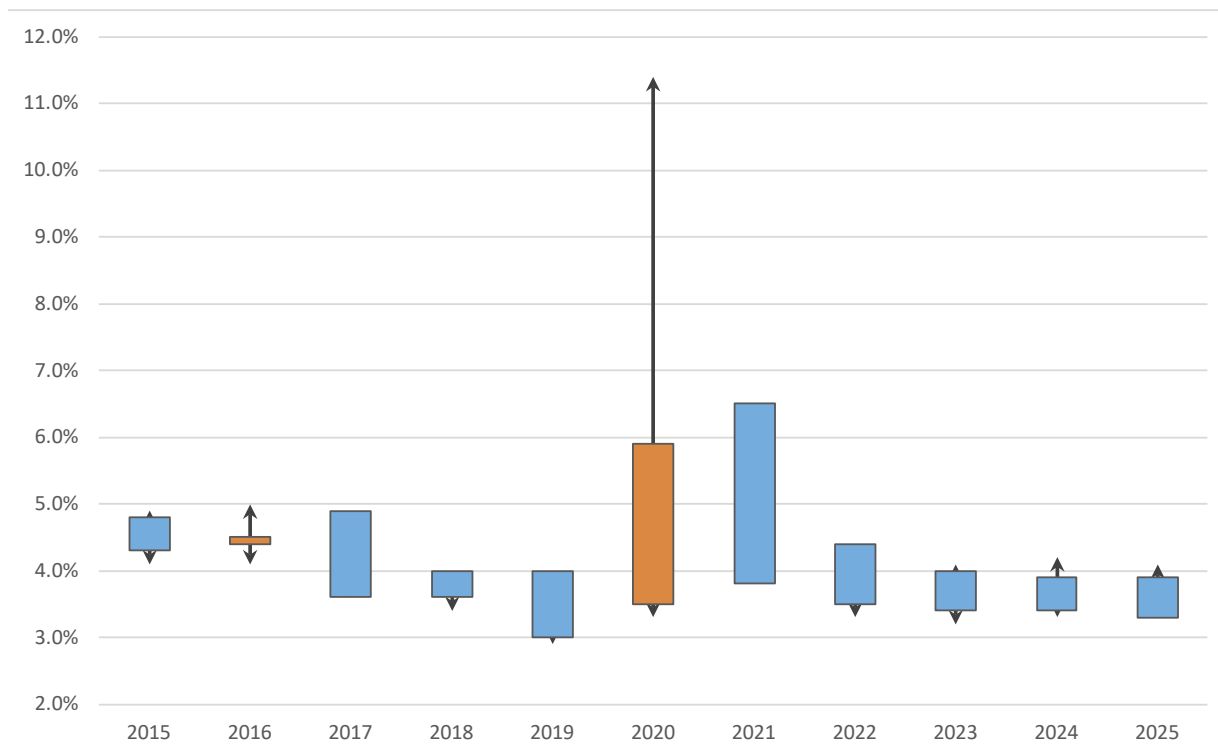


Source: ESRI; Compiled by Newmark

## Unemployment

The following table displays the historical unemployment data for the area derived from the US Department of Commerce, Bureau of Labor Statistics. The most recent reported unemployment rate for the Tyler, TX Metropolitan Statistical Area is 3.3% (April 2025).

**Unemployment Rate: Tyler, TX Metropolitan Statistical Area**



Bars represent beginning to end range of unemployment rates in each year

Orange bars denote increasing unemployment from beginning to end of year

Blue bars are declining unemployment from beginning to end of year

Arrows are extent of unemployment rates over the year

*Compiled by Newmark*

## Major Employers

The following table lists a number of major employers with the Tyler MSA as reported by Moody's. While not all-encompassing, this list provides further indication of the types of economic sectors that are drivers for the area.

Selected Major Employers: Tyler MSA		
Rank	Employer	Employees
1	CHRISTUS Mother Francis Hospital	5,000
2	UT Health East Texas	4,500
3	Trane Technologies	2,500
4	Sanderson Farms	1,750
5	Walmart Inc.	1,500
6	Brookshire Grocery Co.	1,450
7	UT Health Science Center	1,450
8	University of Texas at Tyler	1,200
9	Optimum	1,150
10	John Soules Foods Inc.	1,000
11	Target Distribution Center	1,000
12	Tyler Junior College	1,000
13	Tyler Pipe	430
14	Southside Bank	400
15	Baylor Scott & White - Texas Spine & Joint Ho	400
16	Fresenius Medical Care	350
17	Delek Refining	310

Source: Moody's Analytics Précis® US Metro

## Analysis

Further economic analysis from Moody's is detailed as follows:

### Higher Education

Campus expansion and rising enrollment at the University of Texas at Tyler MSA will aid payroll growth in state government and consumer services. The university recently celebrated its largest enrollment in the institution's history. As of fall 2024, enrollment exceeded 10,000 students, marking a significant increase from the year prior. Matriculation is tied closely to local population trends, as most students are from the metro area. Above-average population growth among adolescents will ensure future demand for higher education. Moreover, the college-aged cohort will expand faster than the national average, giving UT-Tyler MSA a large and growing pool of potential students.

The university could garner further enrollment gains from its growing nursing program, which recently earned national recognition. In addition, the university has announced a campus expansion that includes new facilities for its nursing and STEM programs. The project, which is slated to be completed by 2026, will provide the university with higher enrollment capacity.

### Healthcare

Healthcare payroll growth will slow in the coming years but will remain key to top-line employment gains. Nearly one-fifth of Tyler MSA's payrolls are dedicated to healthcare and social assistance, which is well above average. The elderly cohort is growing faster than the national average, which bodes well for local medical services, as it typically includes large consumers. Strong population growth will support robust demand in the long term while also helping fuel local labor force expansion. Many metro areas are struggling to find qualified clinicians amid soaring demand for care. However, Tyler MSA will have an easier time improving the industry's growth prospects.

### Housing

Tyler MSA's housing market will experience a mild downturn in the near term. However, prices are expected to bounce back over the next several years. This is because Tyler MSA has several advantages that will support the housing market's fundamentals. Above-average real disposable income growth and strong demographics will cause tailwinds in Tyler MSA's real estate market. As a bedroom community to pricier Dallas, Tyler MSA is also positioned to draw in remote/hybrid workers who can keep their high-paying urban-located jobs while benefiting from lower living costs. The metro area continues to see a considerable influx of new residents, with many being of prime working age. This is a plus, as new residents will be in the market to purchase a new home. A bustling housing market will also benefit industries such as construction and finance, supporting economic growth in the years ahead.

### Conclusion

Positive Attributes	Negative Attributes
<ul style="list-style-type: none"><li>– Well-developed healthcare industry that serves northeast Texas.</li><li>– Presence of UT-Tyler provides stability to the local economy.</li><li>– Favorable migration trends.</li></ul>	<ul style="list-style-type: none"><li>– Dearth of high-wage jobs, high-value-added industries outside of healthcare.</li><li>– Low worker productivity, high poverty rate.</li></ul>

Tyler MSA's economy will slow in the near term, but employment growth will remain far ahead of the national average. An expanding student body at UT-Tyler MSA will benefit the public sector as well as boost consumer services payrolls. Longer term, relatively robust population growth will fuel demand for healthcare and housing and help keep Tyler MSA an above-average performer.

## MARKET AREA ANALYSIS



Neighborhood Map

### Boundaries

The subject is located in the northeastern area of Nacogdoches, TX. This area is part of the Nacogdoches County submarket as defined by Costar and is generally delineated as follows:

North	NE Stallings Drive
South	East Austin Street
East	Appleby Sand Road
West	North Street

### Surrounding Area of Influence Trends

#### Description

The subject's surrounding area is viewed as suburban. The immediate area around the subject can be described as retail and commercial in character.

#### Characteristics

- The subject property is in proximity to NE Stallings Drive and US Highway 59, which provides easy access to all the parts of Tyler MSA.
- The subject is also proximate to large concentration of retail and commercial activity.

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**Fundamental Real Estate Cycle**

The surrounding area is considered to be within the mid-expansion stage of its real estate cycle.

**Conformity** Land uses within the subject neighborhood consist of a mixture of commercial and residential developments.

**Nuisances or Hazards**

Our observation of the area revealed no evidence of significant nuisances or hazards.

**Access****Primary Access & Major Thoroughfares**

Major thoroughfares in the area include Texas State Highway 224 and U.S. Highway 59. State Highway 224 (SH 224) is a Texas state highway running from Greenville northeast to Commerce. It intersects US 59. Ten miles north of Lufkin, US 59 bypasses Nacogdoches and heads in an almost entirely east–west direction. The highway intersects US 96 and ends its overlap with US 84. US 59 passes through Carthage before intersecting I-20 south of Marshall.

**Transportation**

The Brazos Transit District is the primary provider of mass transportation in a 16-county area of East Texas. The agricultural center of Nacogdoches includes four local routes, three of which provide some form of service to SFA State University.

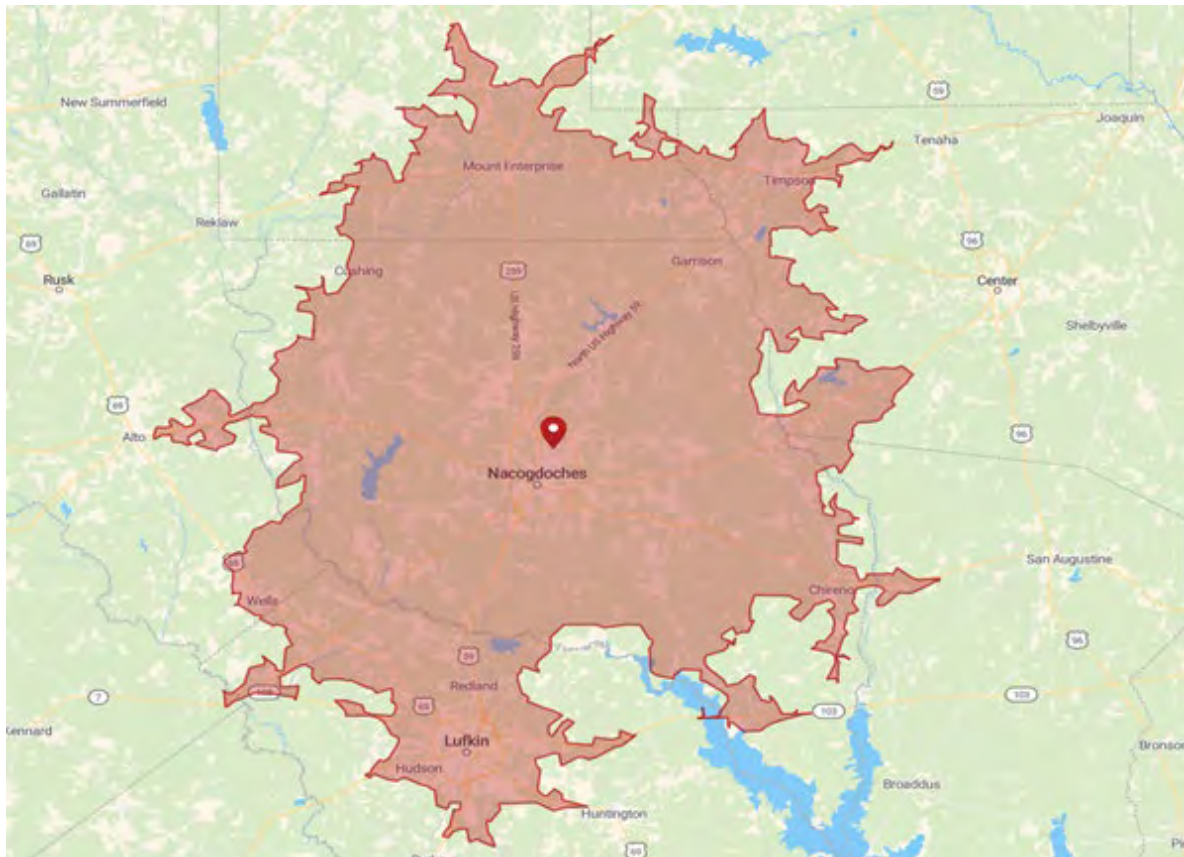
- Blue Route- Transfer Center to Stallings Drive
- Green Route- Transfer Center to Fredonia Hill
- Red Route- Transfer Center to S.F. Austin University/Parker Road



### Distance from Key Locations

The commute to the Nacogdoches City is about ten-minutes and the drive to East Texas Regional Airport is about sixty minutes.

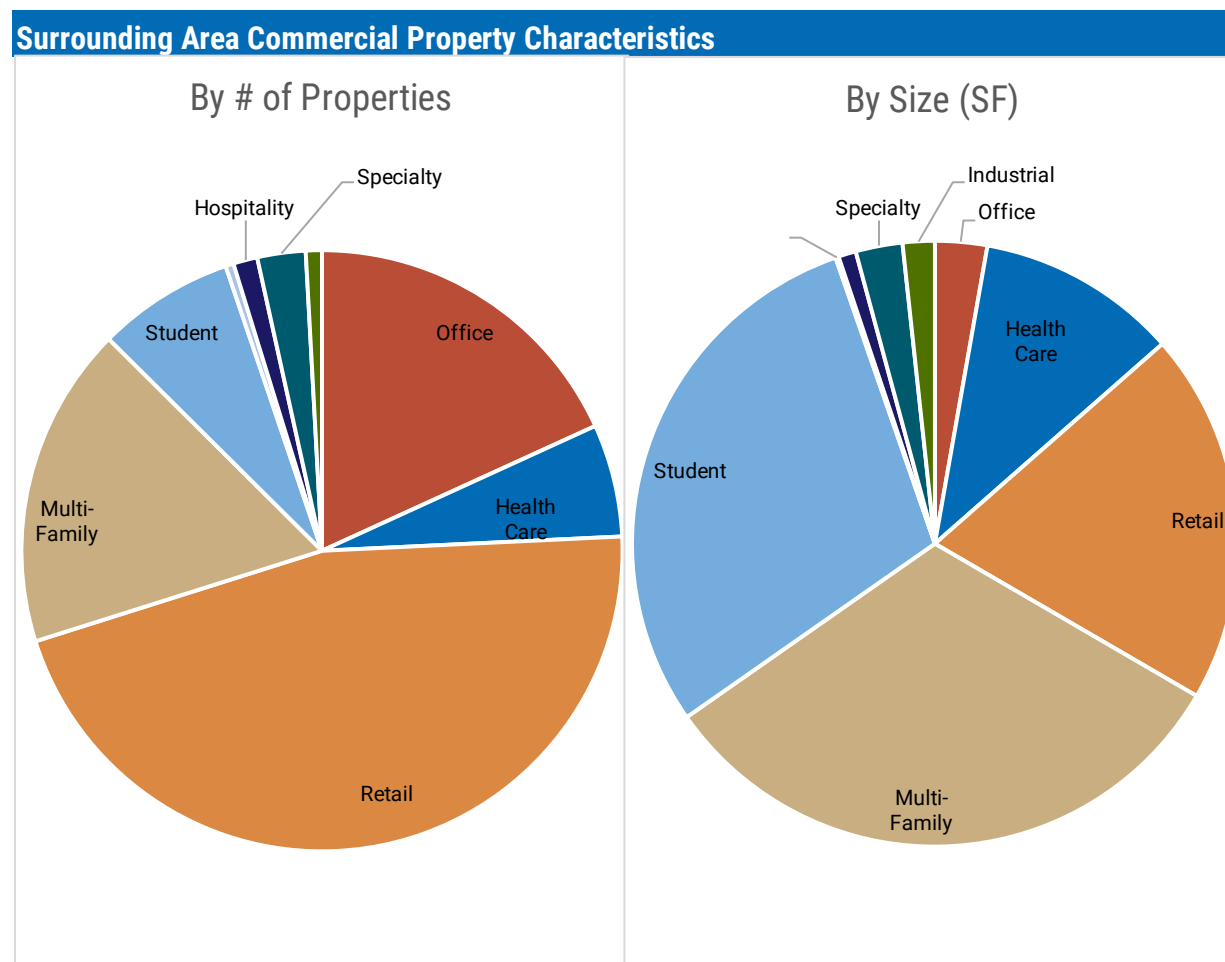
The following illustrates the 30-minute drive time from the subject.



Drive Time Map

## Land Use

The following was developed from Costar data for the major property types in the surrounding 2.0-mile radius around the subject.



Source: Costar; Compiled by Newmark

Within the immediate area of the subject, property uses include the following:

- Within a 2-mile radius, Costar recognizes a total of 191 commercial use properties.
- Costar recognizes 106 Retail, 42 Office, and 40 Multifamily in this radius. Retail and Office properties dominate the subject surrounding area in terms of number of properties.
- Within the radius there are currently 258,205 square feet of office property developments.

## Demographics

A demographic summary for the defined area is illustrated as follows:

Demographic Analysis								
	1-Mile Radius	3-Miles Radius	5-Miles Radius	75965	Nacogdoches City	Nacogdoches County	Tyler, TX MSA	Texas
<b>Population</b>								
2020 Total Population	5,366	23,866	36,517	17,663	32,147	64,653	233,479	29,145,505
2024 Total Population	5,446	23,835	36,455	17,753	32,061	64,961	245,423	30,857,478
2029 Total Population	5,439	23,619	36,159	17,675	31,670	64,773	255,823	32,581,174
Projected Annual Growth %	0.0%	-0.2%	-0.2%	-0.1%	-0.2%	-0.1%	0.8%	1.1%
<b>Households</b>								
2020 Total Households	2,291	9,375	14,103	7,495	12,400	24,713	88,567	10,491,147
2024 Total Households	2,315	9,403	14,187	7,564	12,413	25,084	93,609	11,205,646
2029 Total Households	2,335	9,425	14,254	7,623	12,425	25,392	98,301	11,988,604
Projected Annual Growth %	0.2%	0.0%	0.1%	0.2%	0.0%	0.2%	1.0%	1.4%
<b>Income</b>								
2024 Median Household Income	\$57,506	\$39,834	\$45,615	\$58,537	\$42,914	\$54,843	\$70,652	\$77,169
2024 Average Household Income	\$76,855	\$62,361	\$68,136	\$83,094	\$64,135	\$75,735	\$94,849	\$109,810
2024 Per Capita Income	\$30,611	\$25,015	\$26,756	\$35,586	\$25,180	\$29,419	\$36,224	\$39,971
<b>Housing</b>								
2024 Owner Occupied Housing Units	40.1%	32.4%	38.5%	47.9%	34.7%	51.2%	60.3%	56.5%
2024 Renter Occupied Housing Units	47.3%	52.9%	47.7%	39.1%	51.2%	34.7%	30.6%	33.9%
2024 Median Home Value	\$229,915	\$201,468	\$192,734	\$241,733	\$171,329	\$189,368	\$252,334	\$297,822
Median Year Structure Built	1983	1984	1983	1985	1982	1984	1985	1989
<b>Miscellaneous Data Items</b>								
2024 Bachelor's Degree	31.7%	24.0%	19.5%	27.3%	18.6%	16.8%	20.2%	23.1%
2024 Grad/Professional Degree	20.3%	13.8%	12.4%	18.1%	11.5%	10.1%	10.2%	12.6%
2024 College Graduate %	52.0%	37.8%	31.9%	45.4%	30.1%	26.9%	30.4%	35.7%
2024 Average Household Size	1.88	2.10	2.28	2.19	2.24	2.42	2.56	2.70
2024 Median Age	28.4	26.3	28.8	34.7	27.4	34.0	38.1	36.3

Source: ESRI; Compiled by Newmark

- As shown above, the current population within a 3-mile drive distance of the subject is 23,835 and the average household size 2.10. Population in the area has decrease since the 2020 census, however this trend is projected to continue over the next five years.
- The median household income in the 3-mile radius is \$39,834 which is lower than the household income of Nacogdoches County. Residents within a 3-mile drive have a higher level of educational attainment than those of Nacogdoches County and median owner-occupied home values are higher compared to the Nacogdoches County level.

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### Demand Generators

Christus Mother Frances Hospital is a leading acute care hospital located in Tyler, Texas. It is part of the extensive Christus Health network, which serves communities across Texas and beyond. The hospital is known for its high-quality patient care, advanced medical facilities, and commitment to serving the health needs of the East Texas region.

UT Health East Texas (UTHET) is a for-profit hospital system based in Tyler; Texas founded February 2018. The system is jointly owned by the University of Texas System (30%) and Ardent Health Services (70%) and was formed following a merger of the East Texas Medical Center and the University of Texas Health Science Center at Tyler. It operates ten hospitals, 50 physician's clinics, 13 rehabilitations centers, and six Olympic fitness centers. It also operates the only CAAS accredited EMS service in East Texas with 45 ambulances.

Nacogdoches Medical Center has been serving the Nacogdoches community since 1975. The hospital is a 161-bed acute care hospital located at 4920 NE Stallings Drive. The hospital provides a broad spectrum of medical and surgical services including services in cardiovascular, diagnostic imaging, emergency room, oncology, orthopedics, urology, and wound care.

Nacogdoches Memorial Hospital has been serving the Nacogdoches community since 1928. The hospital is a 231-bed acute care hospital located at 1204 Mound Street. The hospital is the only Level III trauma center in deep East Texas. It offers comprehensive healthcare services in emergency & trauma, surgery, imaging, cardiology, rehab & therapy, pediatrics, women's health, pain management, ICU/IMC, nutrition & wound care, and geriatric psychiatry.

### Conclusion

- Given the history of the area and the growth trends illustrated in the surrounding area analysis, it is anticipated that property values will expand in the near future.

## MEDICAL OFFICE MARKET ANALYSIS

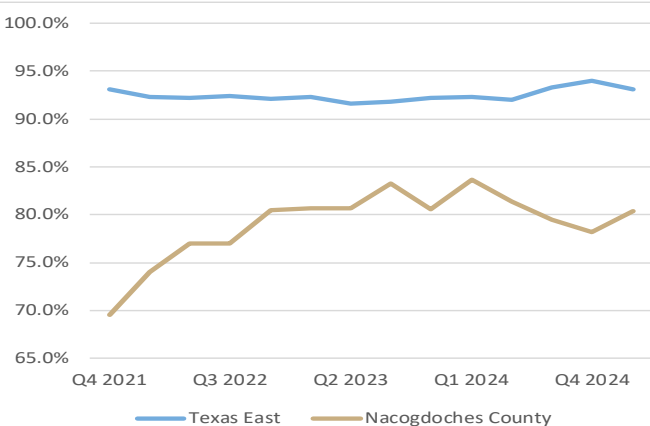
### Classification

The subject is in the Nacogdoches County submarket of the Texas East market. The property is considered a medical office building in this market.

### Medical Office Market Overview

The following discussion outlines overall market performance in the surrounding Medical Office market using Costar market metric data. Presented first are market statistics of the Texas East area and the subject Nacogdoches County submarket overall. The analysis is then further refined to focus on demand for the subject and the properties considered to be primary competition.

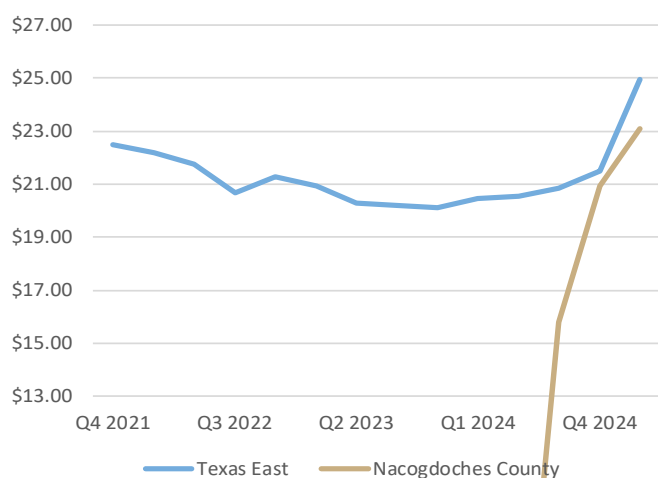
#### Occupancy Rate



Source: Costar; Compiled by Newmark Valuation & Advisory

Period	Texas East	Nacogdoches County
Q4 2021	93.1%	69.5%
Q1 2022	92.3%	74.0%
Q2 2022	92.2%	77.0%
Q3 2022	92.4%	77.0%
Q4 2022	92.1%	80.5%
Q1 2023	92.3%	80.7%
Q2 2023	91.6%	80.7%
Q3 2023	91.8%	83.3%
Q4 2023	92.2%	80.6%
Q1 2024	92.3%	83.6%
Q2 2024	92.0%	81.4%
Q3 2024	93.3%	79.5%
Q4 2024	94.0%	78.2%
Q1 2025	93.1%	80.4%

#### Asking Rent Per SF



Source: Costar; Compiled by Newmark Valuation & Advisory

Period	Texas East	Nacogdoches County
Q4 2021	\$22.50	-
Q1 2022	\$22.19	-
Q2 2022	\$21.78	-
Q3 2022	\$20.69	-
Q4 2022	\$21.30	-
Q1 2023	\$20.94	-
Q2 2023	\$20.30	-
Q3 2023	\$20.19	-
Q4 2023	\$20.11	-
Q1 2024	\$20.46	-
Q2 2024	\$20.55	-
Q3 2024	\$20.85	\$15.79
Q4 2024	\$21.52	\$20.92
Q1 2025	\$24.95	\$23.10

Office Market Statistics						
Trailing Four Quarters Ended Q1 2025						
Market / Submarket	Inventory (SF)	Completions (SF)	Vacancy (%)	Net Absorption (SF)	Rent Overall / SF	Office Base Rent Overall / SF
Texas East	9,617,960	51,150	6.90%	125,512	\$24.95	\$18.25
Nacogdoches County	114,733	0	19.60%	-3,685	\$23.10	\$16.34

Source: Costar; Compiled by Newmark Valuation & Advisory

- The average vacancy rate for the subject submarket is higher than that of the overall market area.
- The average rental rate for the submarket is lower than the overall Texas East market. The subject Nacogdoches County submarket is considered a lower tier submarket as compared to the other submarkets in the overall Texas East area.
- None of the submarket inventory, and 0.5% of the market inventory, represents newer construction.
- Absorption for the last 12 months was positive for the overall market area and flat at the submarket level.

### Market and Submarket Trends

Office Market Trends								
	Texas East				Nacogdoches County			
	Inventory (SF)	Completions (SF)	Vacancy %	Office Gross Rent Overall / SF	Inventory (SF)	Completions (SF)	Vacancy %	Office Gross Rent Overall / SF
Q1 2023	9,554,388	5,000	7.7%	\$20.94	114,733	0	19.3%	-
Q2 2023	9,558,581	4,193	8.4%	\$20.30	114,733	0	19.3%	-
Q3 2023	9,558,581	0	8.2%	\$20.19	114,733	0	16.7%	-
Q4 2023	9,558,581	0	7.8%	\$20.11	114,733	0	19.4%	-
Q1 2024	9,566,810	8,229	7.7%	\$20.46	114,733	0	16.4%	-
Q2 2024	9,569,810	3,000	8.0%	\$20.55	114,733	0	18.6%	-
Q3 2024	9,617,960	48,150	6.7%	\$20.85	114,733	0	20.5%	\$15.79
Q4 2024	9,617,960	0	6.0%	\$21.52	114,733	0	21.8%	\$20.92
Q1 2025	9,617,960	0	6.9%	\$24.95	114,733	0	19.6%	\$23.10

Source: Costar; Compiled by Newmark Valuation & Advisory

- The overall market area and submarket have been fluctuating with respect to occupancy over the past year.
- The effective rental rates have been following an increasing trend within the market in the past 12 months.
- As shown above, the submarket is underperforming against the market overall due to lower rental rates and higher vacancy.

### Long Term Texas East Market Metrics

The following provides a longer-term view of the market.

Texas East Market Metrics						
Period	Inventory (SF)	Vacancy %	Net Absorption (SF)	Completions (SF)	Office Gross Rent Overall	Office Base Rent Overall
Q3 2022	9,552,779	7.6%	16,621	0	\$20.69	\$15.99
Q4 2022	9,552,779	7.9%	-23,493	0	\$21.30	\$16.24
Q1 2023	9,554,388	7.7%	13,017	5,000	\$20.94	\$16.08
Q2 2023	9,558,581	8.4%	-61,369	4,193	\$20.30	\$16.46
Q3 2023	9,558,581	8.2%	22,534	0	\$20.19	\$17.04
Q4 2023	9,558,581	7.8%	38,939	0	\$20.11	\$17.50
Q1 2024	9,566,810	7.7%	10,911	8,229	\$20.46	\$17.90
Q2 2024	9,569,810	8.0%	-17,897	3,000	\$20.55	\$17.96
Q3 2024	9,617,960	6.7%	165,711	48,150	\$20.85	\$18.04
Q4 2024	9,617,960	6.0%	67,771	0	\$21.52	\$18.21
Q1 2025	9,617,960	6.9%	-90,073	0	\$24.95	\$18.25
Y 2005	679,673	3.8%	106,423	60,146	\$19.24	\$15.24
Y 2006	7,475,216	2.4%	72,497	104,929	\$15.81	\$14.78
Y 2007	7,984,978	3.9%	377,618	509,762	\$17.21	\$15.48
Y 2008	8,324,179	4.3%	287,460	339,201	\$21.99	\$20.73
Y 2009	8,434,583	3.7%	159,277	110,404	\$23.49	\$21.13
Y 2010	8,633,297	3.4%	213,487	198,714	\$23.26	\$20.87
Y 2011	8,700,875	3.7%	45,130	67,578	\$17.41	\$15.15
Y 2012	8,731,549	4.7%	-59,765	30,674	\$15.59	\$14.26
Y 2013	8,840,074	4.4%	130,073	120,413	\$15.84	\$14.07
Y 2014	8,917,042	4.6%	53,802	76,968	\$16.24	\$14.88
Y 2015	9,031,835	4.2%	143,345	114,793	\$17.34	\$15.92
Y 2016	9,115,846	4.1%	94,922	84,011	\$17.93	\$15.57
Y 2017	9,228,727	6.1%	-75,918	112,881	\$17.40	\$15.93
Y 2018	9,262,437	7.0%	-58,087	33,710	\$17.32	\$15.68
Y 2019	9,327,788	7.1%	60,352	65,351	\$17.93	\$16.36
Y 2020	9,533,729	8.1%	93,831	205,941	\$23.16	\$15.59
Y 2021	9,560,157	6.9%	139,751	26,428	\$22.50	\$16.32
Y 2022	9,552,779	7.9%	-101,595	13,000	\$21.30	\$16.24
Y 2023	9,558,581	7.8%	13,121	9,193	\$20.11	\$17.50
Y 2024	9,617,960	6.0%	226,496	59,379	\$21.52	\$18.21
5 Year Average	9,564,641	7.3%	74,321	62,788	\$21.72	\$16.77
10 Year Average	9,378,984	6.5%	53,622	72,469	\$19.65	\$16.33
15 Year Average	9,174,178	5.7%	61,263	81,269	\$18.99	\$16.17

Source: Costar; Compiled by Newmark Valuation & Advisory



## Supply & Demand

### Construction Versus Absorption

Construction/Absorption Change									
Market / Submarket	Prior Calendar Years History								
	Prior Calendar Year History			Prior Three Year History			Prior Five Year History		
	SF Built	SF Absorbed	Const. / Abs. Ratio	SF Built	SF Absorbed	Const. / Abs. Ratio	SF Built	SF Absorbed	Const. / Abs. Ratio
Texas East	59,379	226,496	0.3	81,572	138,022	0.6	313,941	371,604	0.8
Nacogdoches County	0	-2,732	0.0	8,000	13,188	0.6	13,000	-11,995	-1.1

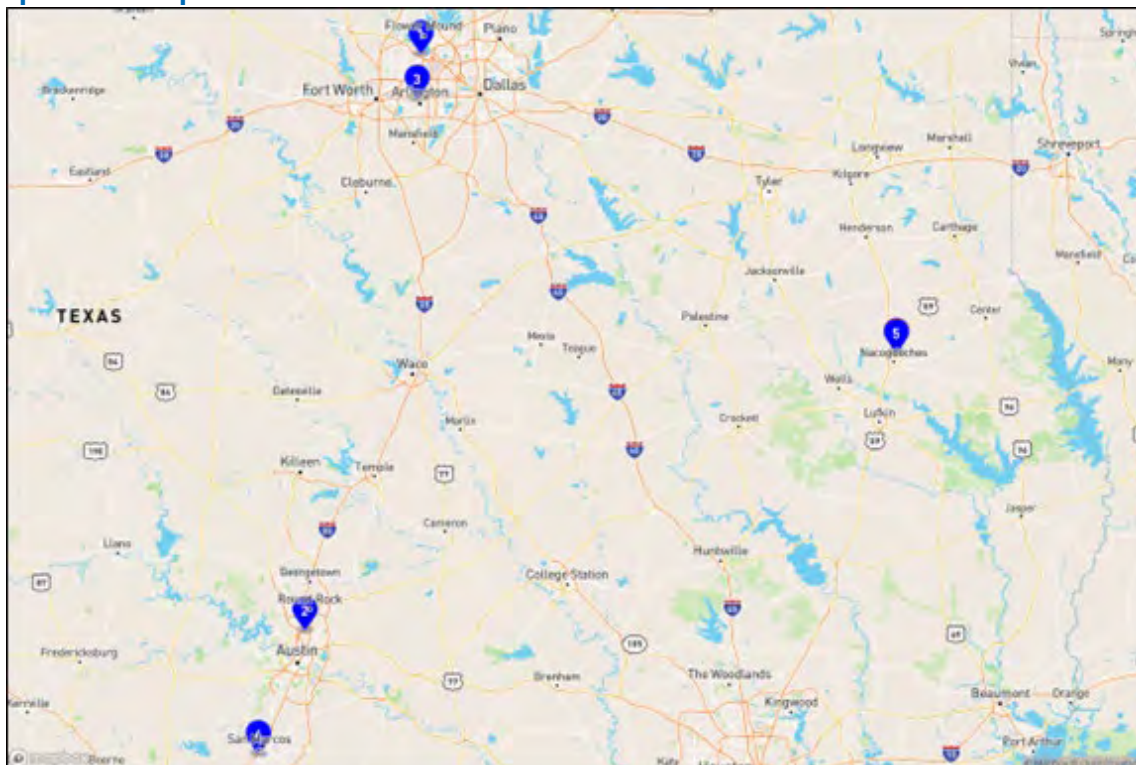
Source: Costar; Compiled by Newmark Valuation & Advisory

- Absorption in the Nacogdoches County submarket is outpacing construction.

### Supply & Demand Conclusion

- The overall market area and submarket have been fluctuating with respect to occupancy over the past year. The rental rate in the market appears to have been increasing in the past 12 months. Supply and demand are trying to improve and attain a balance in the current time.

### Competitive Properties



Competitive Properties Map

Comparable Property Summary						
	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Name	3610 North University Drive	Eye Consultants of Texas	2200 Park Bend Dr	Momentum Spine & Joint	San Marcos Surgery Center	Nacogdoches Medical Partners
Address	3610 North University Drive	2201 Westgate Plaza	2200 Park Bend Drive	950 North Davis Drive	1891 Medical Parkway	3328 North University Drive
City, State	Nacogdoches, TX	Grapevine, TX	Austin, TX	Arlington, TX	San Marcos, TX	Nacogdoches, TX
Rentable Area (SF)	12,546	17,724	20,000	15,110	11,978	8,133
Year Built	2000	2010	2004	1985	2010	2023
Number of Floors	1	1	3	1	1	1
Exterior	Brick	Concrete and Stone	Concrete/Blk/Stucco	Brick	Brick	Brick
Condition	Average	Average	Average	Average	Average	Good
Occupancy	100%	100%	100%	100%	100%	100%

Compiled by Newmark Valuation & Advisory

## Trends and Projections

### Subject and Market Historical and Forecast Trends

Market Vacancy Rate Indicators						
	Current	Most Recent Full Year	Trailing 3-Year	Trailing 5-Year	Trailing 10-Year	
<b>Costar</b>						
Texas East	6.90%	6.00%	7.90%	8.10%	4.20%	
Nacogdoches County	19.60%	21.80%	19.50%	7.20%	6.50%	
Direct Competition	0.00%					
Subject	0.00%					
Concluded Subject Vacancy Rate	0.00%					

Source: Costar, Newmark Valuation & Advisory

- Ambulatory surgery centers like the subject are typically built on a build-to-suit basis.
- The comparables are fully leased and there are limited availability of second-generation ambulatory surgery center for lease in the market.
- The subject has been mostly occupied since it was constructed in 2000.
- A new 10-year lease was executed for the subject.
- The forecast is for the subject to be 100% occupied, which is also in line with typical underwriting of similar assets.

**Market Conclusion****Positive Attributes**

- Continued growth in the local and broader East Texas market.
- Low costs and favorable demographics increase business investment.

**Negative Attributes**

- Financial market downturn hurts those on fixed incomes, hindering local consumer industries.
- Volatility in food and energy prices hampers manufacturing and mining.

**Conclusion****Occupancy Conclusions****Costar**

Texas East	93.10%
Nacogdoches County	80.40%
Subject Property's Current Occupancy	100.00%
Subject Property's Stabilized Occupancy	100.00%

Source: Costar, Newmark Valuation & Advisory

Stabilization Discount

The subject is 100% leased; however, the rent commencement date is on September 1, 2025. The property contact, Josh Swiercinsky, has indicated all leasing costs have been paid. As a result, we have only considered rent loss as stabilization discount for the “as is” value, which is based on contract rent. The stabilization discount is summarized in the tables below:

Stabilization Discount - Assumptions									
MLA Category	SF To Absorb	Mos. To Absorb	Market Rent (\$/SF/Yr)	Lease Term (Mos.)	Est. Op. Exp. (\$/SF)	TI/SF	Free Rent (Mos.)	Leasing Commission	Discount Rate
Health Care Space:	12,546	3	\$30.00	120	\$8.69	\$0.00	0	0.00%	0.00%

Compiled by Newmark

Stabilization Discount											
MLA Category	Rent Loss	Stabilized Vacancy	Rent Loss Less Vac.	Exp. Reimb. Loss	Total Revenue Loss	Tenant Impvts.	Free Rent / Concessions	Leasing Commissions	Total Cash Flow Loss	PV Factor	PV of Cash Flow Loss
Health Care Space:	\$94,095	0.00%	\$94,095	\$27,251	\$121,346	\$0	\$0	\$0	\$121,346	1.000000	\$121,346
Subtotal	\$94,095		\$94,095	\$27,251	\$121,346	\$0	\$0	\$0	\$121,346		\$121,346
									Stabilization Discount:		\$121,346
									Rounded:		\$120,000

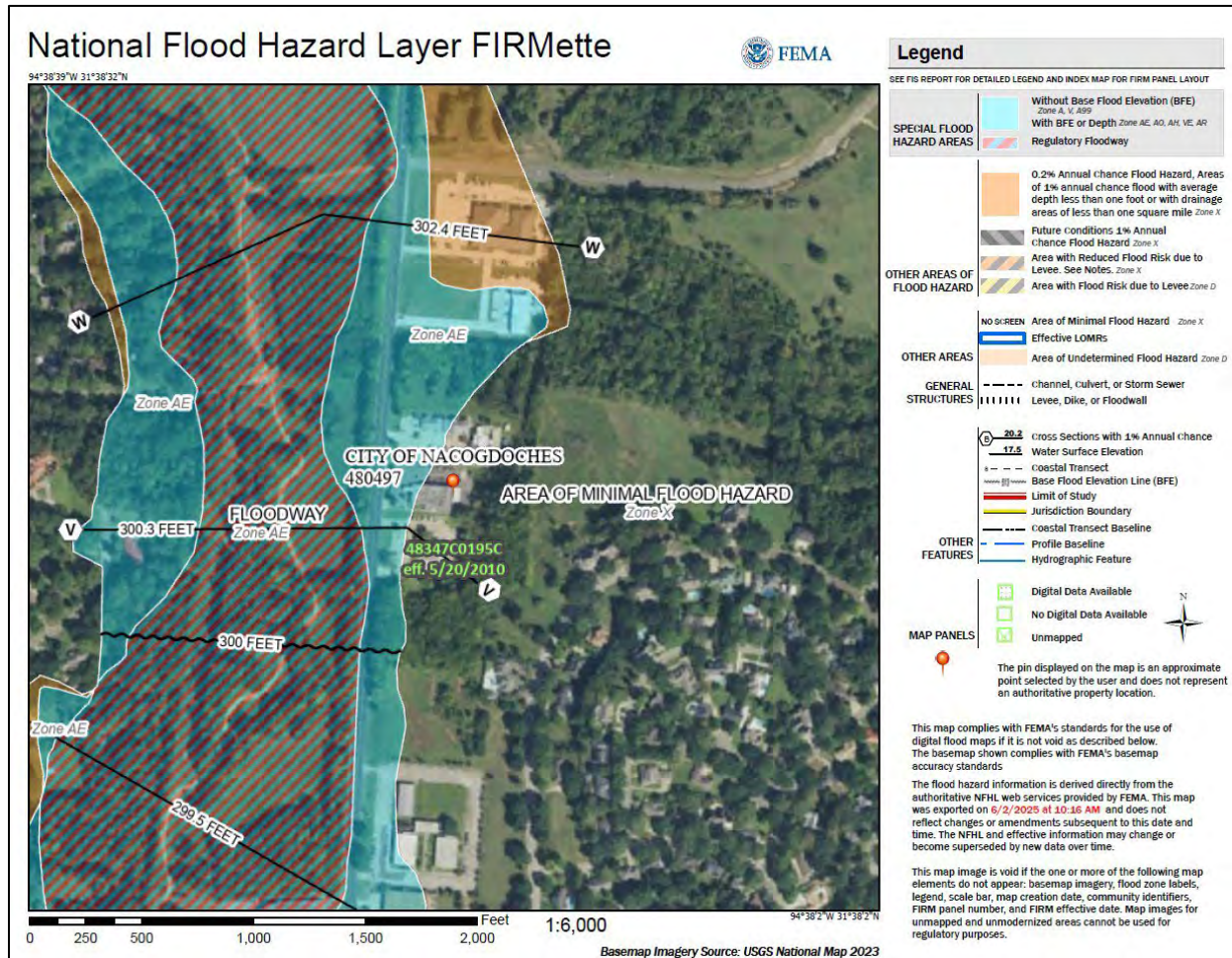
Compiled by Newmark

# Land and Site Analysis

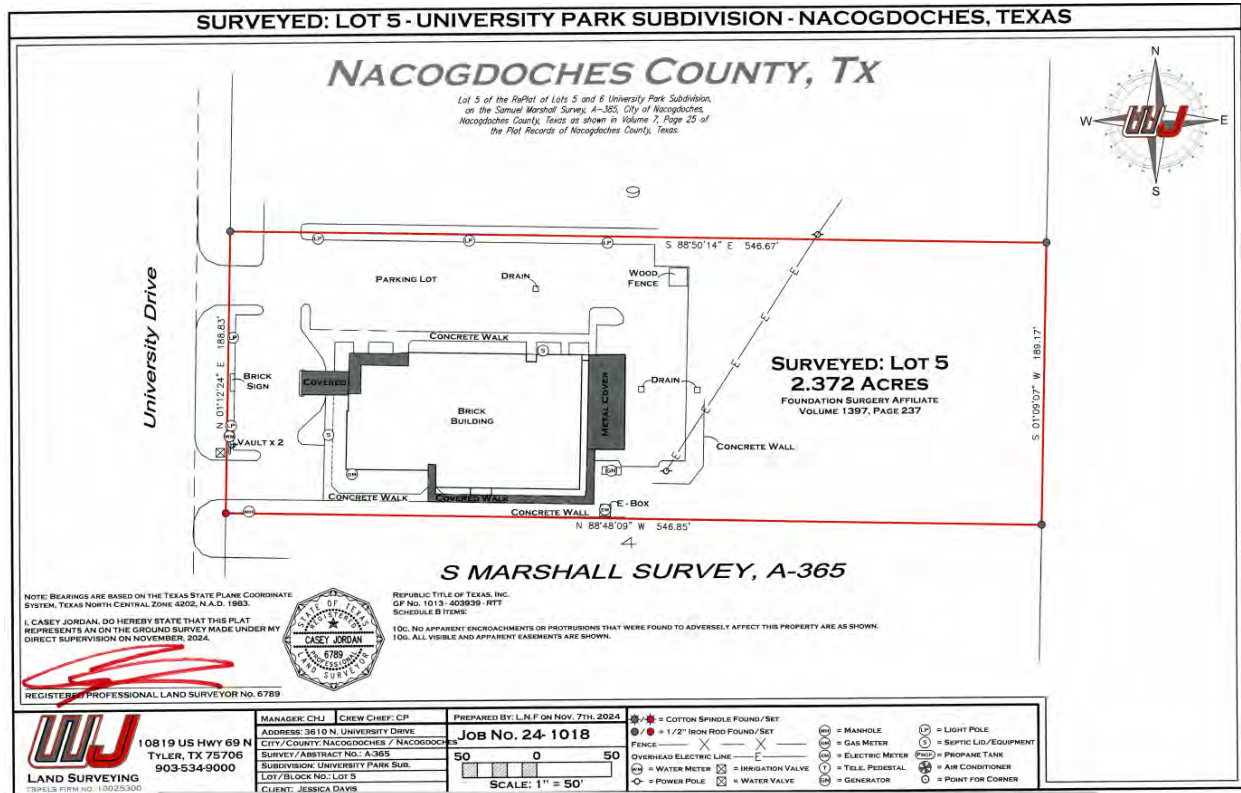


Aerial Map





Flood Map



Survey



### Land Parcels

Parcel Summary	Associated APN(s)	Classification	Land Area (SF)	Land Area (Acres)
Site	52367	Primary Site 1	60,000	1.3774
Site	52367	Surplus Site 1	43,324	0.9946
Total Gross Land Area			103,324	2.3720
Total Usable Land Area			60,000	1.3774
Total Surplus Land Area			43,324	0.9946
Total Excess Land Area			0	0.0000

Compiled by Newmark

### Land Description

Total Land Area	2.3720 Acres; 103,324 SF
Usable Land Area	1.3774 Acres; 60,000 SF
Excess Land Area	None
Surplus Land Area	0.9946 Acres; 43,324 SF
Source of Land Area	Survey & Aerial Measurements
Location	North University Drive, south of NE Stallings Drive

### Site Characteristics

Primary Street Frontage	North University Drive
Traffic Control at Entry	None
Traffic Flow	Moderate
Accessibility Rating	Average
Visibility Rating	Average
Shape	Rectangular
Corner	No
Rail Access	No
Topography	Generally level
Site Vegetation	Grass, Trees and Shrubs
Easement/Encroachments	None Noted
Environmental Issue	None Noted

### Flood Zone Analysis

Flood Area Panel Number	48347C0195C
Date	5/20/2010
Zone	Zone AE, X
Description	AE: Special Flood Hazard Area where base flood elevations are provided. X: Area of minimal flood hazard, usually depicted on Flood Insurance Rate Maps as above the 500-year flood level.
Insurance Required?	Yes

### Utilities

Utility Services	Electricity, gas, sewer, water
------------------	--------------------------------

Compiled by Newmark

## EXCESS OR SURPLUS LAND

Analysis of the site and current use indicates that there is an area of the site that is not in use and would be viewed as surplus land. Based on aerial measurements, this area was estimated to contain 43,324 SF, and is located at the rear of the property. The area is a heavy landscaped hillside and no contributory value was considered applicable.

## EASEMENTS, ENCROACHMENTS AND RESTRICTIONS

We were not provided a current title report to review. Further, there do not appear to be any easements, encroachments, or restrictions other than those that are typical for the property type. Our valuation assumes no adverse impacts from easements, encroachments, or restrictions, and further assumes that the subject has clear and marketable title.

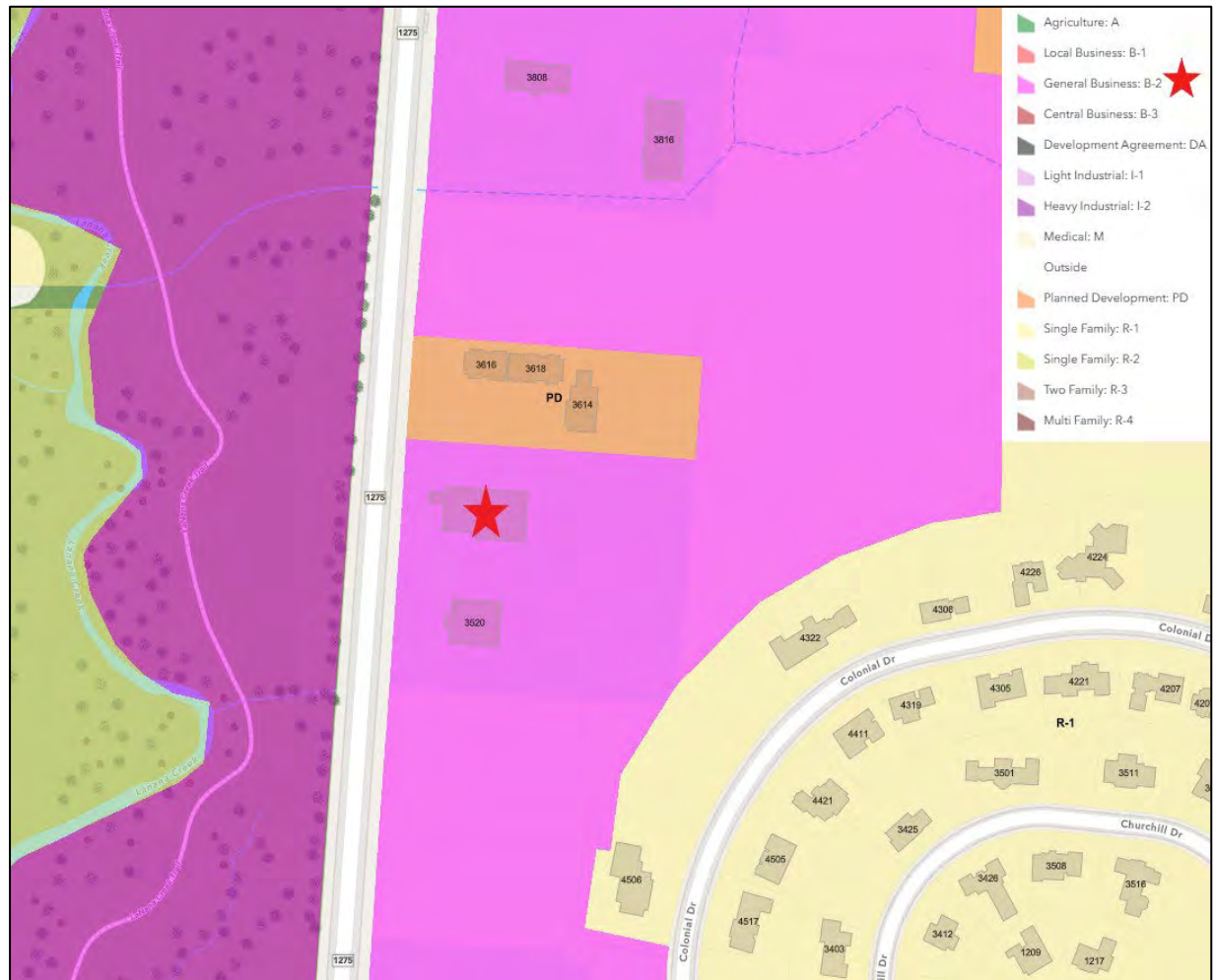
## ENVIRONMENTAL ISSUES

No environmental issues were observed or reported. Newmark is not qualified to detect the existence of potentially hazardous issues such as soil contaminants, the presence of abandoned underground tanks, or other below-ground sources of potential site contamination. The existence of such substances may affect the value of the property. For this assignment, we have specifically assumed that any hazardous materials that would cause a loss in value do not affect the subject.

## CONCLUSION

- The primary site area is functional for the current use.
- The primary site has average accessibility.
- The site has average visibility from the frontage road.

# Zoning and Legal Restrictions



Zoning Map

### Zoning Summary

Category	Description
Zoning Jurisdiction	City of Nacogdoches
Zoning Designation	B-2
Description	<b>General Business District.</b> To accommodate those business activities that are oriented toward the automobile, or whose operations may require limited truck access. Generally this district is located along major traffic arteries where strip business development exists.
Legally Conforming?	Yes
Zoning Change Likely?	Unlikely
Permitted Uses	A variety of uses including but not limited to agricultural, residential, amusement /recreation, office, medical/healthcare, and retail.
Minimum Lot Area	None noted
Setback Requirements	
Front	20 feet
Side	0 feet, 10 feet
Rear	10 feet
Building Height Restrictions	None noted
Parking Requirement	1 for each 200 square feet
Other	None noted

*Compiled by Newmark*

We are not experts in the interpretation of zoning ordinances. A qualified land use/zoning expert should be engaged if there are any zoning concerns or if a determination of compliance with zoning is required.

### CONCLUSION

The subject is zoned for general business district with permitted variety of uses including retail, office, and the subject's medical/healthcare uses. The subject appears to be legal conforming per city zoning.

# Improvements Analysis



Floor Plan

The subject is a Class B health care-ambulatory surgery center development located at 3610 North University Drive, Nacogdoches, TX 75965. The subject was built in 2000. It includes one health care buildings.

The improvements are more fully described in the following table.

Improvements Description	
<b>Component Structures</b>	
Improvements (Structures)	Primary Use
General Improvement Type	Health Care
Use Description	Ambulatory Surgery Center
No. Buildings	1
GBA (SF)	12,546
Rentable SF	12,546
% Occupied	100.00%
Construction Status	Existing, Stabilized Operations
Construction Class	C
Quality	Average
Current Condition	Average
<b>Age/Life Depreciation Analysis</b>	
Year Built	2000
Year Renovated	None
Actual Age (Yrs.)	25
Economic Life (Yrs.)	45
Effective Age (Yrs.)	20
Remaining Economic Life (Yrs.)	25
Percent Depreciation	44.44%
<b>Floor Area Analysis</b>	
Number of Stories	1
Est. Ground Floor Area (GBA)	12,546
Attributed Site Area (SF)	60,000
Site Coverage	20.9%
Floor Area Ratio (FAR)	0.209
Land to Building Ratio	4.78:1
Load Factor	1.000
Parking Type	Surface & Covered
Covered Parking Spaces	7
Open Parking Spaces	72
Garage Parking Spaces	0
Total Parking Spaces	79
Parking Ratio Per 1,000 SF NRA	6.30
<b>Construction Details</b>	
	<b>Ambulatory Surgery Center</b>
Foundation	Reinforced Concrete
Basement	None
Structural Frame/Construction Summary	Masonry
Exterior Walls	Brick
Windows	Tempered Glass
Roof	Flat primarily; front pitched sections



Interior Finish		Ambulatory Surgery Center
Floors		Ceramic Tile & Carpet
Walls		Textured and painted sheetrock
Ceilings		Suspended Acoustic Tile
Lighting		Fluorescent
Engineering & Mechanical		Ambulatory Surgery Center
HVAC		Roof-mounted HVAC system
Electrical		Assumed adequate
Plumbing		Assumed adequate
Utility Meters		Individually metered
Elevators		0
Rest Rooms		Adequate
Fire Sprinklers		Yes
Improvement Features and Amenities		Ambulatory Surgery Center
Property Amenities		4 Operating Rooms, 8 Recovery Positions, 7 Pre-Op Positions, 2 Overnight Rooms

Compiled by Newmark

## SPACE TYPE/CLASSIFICATION

Improvements Summary						
Building Summary	Property Type	No. Buildings	GBA (SF)	Rentable SF	Occupied SF	% Occupied
Primary Use	Health Care-Ambulatory Surgery Center	1	12,546	12,546	12,546	100.0%
<b>Property Type Subtotals</b>						
	Health Care-Ambulatory Surgery Center	1	12,546	12,546	12,546	100.0%
<b>Improvements Total</b>		<b>1</b>	<b>12,546</b>	<b>12,546</b>		<b>100.0%</b>

Compiled by Newmark

## PROPERTY CONDITION

### Recent Renovations

Since the current owner's acquisition in November 2024, it was reported \$250,000 was spent to rehab the property, which included providing rough-in plumbing and sanitary sewer per the lease.

Per the lease, the tenant is responsible to make improvements to the property. It was reported the total cost is estimated at \$675,000, or \$53.80 PSF, and the improvements will be completed by July 2025. The TI allowance from landlord of \$250,920, or \$20.00 PSF has been paid to the tenant.

### Deferred Maintenance

Our observation of the property indicated no significant items of deferred maintenance.

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## OTHER PROPERTY CONSIDERATIONS

### Functional Utility

Based on our inspection and consideration of its current use, there do not appear to be any significant items of functional obsolescence.

### ADA Compliance

Based on our observation as well as any information provided, no ADA compliance issues were noted. However, the client is advised to obtain review by a qualified professional versed in ADA compliance as we do not have expertise.

### Planned Capital Expenditures

No planned capital expenditures were noted or reported.

### Environmental Assessment

Although requested, we were not provided a Phase I Environmental Assessment. We did not observe any potentially hazardous materials such as lead paint, asbestos, urea formaldehyde foam insulation, or other potentially hazardous construction materials on or in the improvements. However, it is noted that we did not search for such materials and are not qualified to detect such materials. The existence of said hazardous materials (if any) may have an effect on the value of the property. Therefore, for the purpose of this appraisal, we have specifically assumed that the property is not affected by any hazardous materials that may be present on or in the improvements. We strongly recommend that a qualified environmental engineering firm be retained by the Client prior to making a business decision.

### Personal Property

No personal property items were observed that would have any material contribution to market value.

## CONCLUSION

- The improvements are of average quality construction and are in average condition.
- The improvements are considered to be functional for the existing use.
- Overall, the improvements are well suited for the existing use.
- Overall, the quality, condition, and functional utility of the improvements are rated as average for their age and location.

# Real Estate Taxes

Taxes and Assessments								
Tax Year 2024		Assessor's Market Value			Tax Rates		Taxes and Assessments	
Tax ID	Land	Improvements	Total	Assessment Ratio	Land & Improvements	Ad Valorem Taxes	Direct Assessment	Total
52367	\$433,600	\$2,259,130	\$2,692,730	100.0%	2.1126%	\$56,885.81	\$0	\$56,885.81
	\$433,600	\$2,259,130	\$2,692,730	100.0%	2.1126%	\$56,885.81	\$0	\$56,885.81

Compiled by Newmark

The local assessor's methodology for valuation is market value. The property is assessed on a fee simple basis.

## TAX COMPARABLES

Tax Comparables				
Tax Year 2024	1	2	3	Subject (Actual)
Property Name	3520 N. University Drive	1303 North Mound Street	5124 North Street	3610 North University Drive
City, County, State	Nacogdoches, Nacogdoches, TX	Nacogdoches, Nacogdoches, TX	Nacogdoches, Nacogdoches, TX	Nacogdoches, Nacogdoches, TX
Year Built	1998	2003	2002	2000
Improvements SF	6,000	12,200	4,104	12,546
Total Assessed Value	\$1,991,900	\$2,000,000	\$831,920	\$2,692,730
Assessed Value/SF	\$331.98	\$163.93	\$202.71	\$214.63
Total Taxes	\$42,080.28	\$42,251.40	\$17,574.89	\$56,886
Taxes/SF	\$7.01	\$3.46	\$4.28	\$4.53
Effective Tax Rate	2.1126%	2.1126%	2.1126%	2.1126%

Compiled by Newmark

## SUBJECT TAX CONCLUSION

Ad Valorem Tax Analysis			
	Comparable Data		Subject History
	Range	Average	2024
Total Assessed Value			\$2,692,730
Total Assessed Value/SF	\$163.93 - \$331.98	\$232.88	\$214.63
Tax Rate			2.11257%
Ad Valorem Taxes			\$56,886
Direct Assessments			\$0
Actual / Pro Forma Taxes			\$56,886
Reported Tax Delinquencies			None
Tax Exemptions or Abatements			None

Compiled by Newmark

The subject's tax assessment falls in line the average of the assessment comparables. Tax assessments for comparable properties range from \$163.93 - \$331.98 per square foot. The

subject's 2024 total assessed value of \$214.63 per square foot is approximately 8% below the average of the comparable data. The subject's history has been on an upward trend.

Our projection of taxes is based on the most recent taxes and is supported by the comparables.

**Margin/Franchise Tax**

The Margin Tax is calculated by multiplying a taxable entity's taxable margin by the tax rate of 1%, or 0.5% for retailers and wholesalers. No tax is owed if the tax due is less than \$1,000 or if the taxable entity's total revenue from its entire business does not exceed \$2,470,000 subject to adjustment based on changes in the consumer price index. For businesses with less than \$20 million of total revenue, a simplified computational formula call the E-Z computation can be used, whereby the tax is imposed at a rate of 0.331% of apportioned total revenue. Taxpayers that qualify must elect into the simplified treatment and waive the ability to take any credit, deduction or other adjustment. In the case of the subject the margin tax does not apply as its income is below the threshold.

# Highest and Best Use

## AS VACANT

### Legally Permissible

The site is zoned B-2 which allows for a variety of uses including but not limited to agricultural, residential, amusement /recreation, office, medical/healthcare, and retail.. Based on available data and analysis, no other legal restrictions such as easements or deed covenants are present which would impair the utility of the site. Given that surrounding properties have similar zoning and the future land use plan is focused on similar uses as well, it is unlikely that there would be a change of zoning classification. Further information and analysis about the legal restrictions to the subject property is included in the Site Analysis and Zoning and Legal Restrictions sections of this report.

### Physically Possible

The subject site contains 103,324 square feet (2.372 acres), has favorable topography, adequate access, and all necessary utilities to support the range of legally permissible uses. No significant physical limitations were noted. The size of the site is typical for the categories of uses allowed under zoning. In total, the site is physically capable of supporting the legally permissible uses.

### Financially Feasible

Of the legally permissible and physically possible uses, health care development appears most probable based on observation of surrounding properties as well as the location. This use is more fully analyzed for their financial feasibility.

The following are relevant points related to the subject's market segment:

- The subject market is reflecting declining occupancies and rents are stable to increasing.
- Market metrics indicate that concessions are generally minimal or basically nonexistent.
- Over the past five years, absorption outpaced new construction for both the market and submarket.
- There have been several recent sales of similar properties in the broader Texas market indicating good investor demand.

Given the underlying market conditions and activity, it appears that a health care development would have a sufficient degree of feasibility.

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**Maximally Productive**

The test of maximum productivity is to determine the actual use of the property that results in the highest land value and/or the highest return to the land. It is important to consider the risk of potential uses as a use that may generate the highest returns in cash could also be the riskiest and thus not as likely for a developer to consider. In this case, the maximally productive use is a health care development. The associated risk is typical and market conditions appear to be supportive.

**Highest and Best Use Conclusion – As Vacant**

The highest and best use of the subject as though vacant is the development of a health care use.

The most likely buyer would be a developer.

**AS IMPROVED****Legally Permissible**

The existing health care improvements appear to be legally conforming with zoning.

**Physically Possible**

The current improvements conform to the physical characteristics of the site. Therefore, continued health care use of the property is reasonably probable and appropriate.

**Financially Feasible**

Financial feasibility focuses on positive and excess returns from the improved property. In this case, the subject is an income producing property and is capable of generating sufficient income to support the continuation of the use. This is demonstrated in the income capitalization approach by the fact that a positive income stream can be generated.

**Maximally Productive**

The existing health care improvements are legally permissible, physically possible, and financially feasible. The concluded value as though improved exceeds the value of the underlying land and removal of the improvements for redevelopment or substantial conversion to an alternative use is not indicated based on current neighborhood trends. Given no alternatives, the maximally productive use of the property is consistent with the existing health care development.

**Highest and Best Use – As Improved**

Therefore, the highest and best use of the subject as improved is the existing health care property use. Market and economic conditions are supportive of this continued use. The most likely buyer would be an investor.



# Appraisal Methodology

## COST APPROACH

The cost approach is based on the proposition that the informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. This approach is particularly applicable when the property being appraised involves relatively new improvements that represent the highest and best use of the land, or when it is improved with relatively unique or specialized improvements for which there exist few sales or leases of comparable properties.

## SALES COMPARISON APPROACH

The sales comparison approach utilizes sales of comparable properties, adjusted for differences, to indicate a value for the subject. Valuation is typically accomplished using physical units of comparison such as price per square foot, price per unit, price per floor, etc., or economic units of comparison such as gross rent multiplier. Adjustments are applied to the property units of comparison derived from the comparable sale. The unit of comparison chosen for the subject is then used to yield a total value.

## INCOME CAPITALIZATION APPROACH

The income capitalization approach reflects the subject’s income-producing capabilities. This approach is based on the assumption that value is created by the expectation of benefits to be derived in the future. Specifically estimated is the amount an investor would be willing to pay to receive an income stream plus reversion value from a property over a period of time. The two common valuation techniques associated with the income capitalization approach are direct capitalization and the discounted cash flow (DCF) analysis.

Application of Approaches to Value	
Approach	Comments
Cost Approach	The Cost Approach is not applicable and is not utilized in this appraisal.
Sales Comparison Approach	The Sales Comparison Approach is applicable and is utilized in this appraisal.
Income Capitalization Approach	The Income Capitalization Approach is applicable and is utilized in this appraisal.

Compiled by Newmark

The cost approach was not utilized in this appraisal as market participants considering properties like the subject do not give consideration to the cost approach. In addition, the age and condition of the improvements makes depreciation highly speculative. The exclusion of this approach is not considered to impact the reliability of the appraisal. Although we did not include a Cost Approach, we included an insurable value calculation as requested by the client.

# Insurable Value

Insurable value is based on the replacement and/or reproduction cost of physical items that are subject to loss from hazards. The Dictionary of Real Estate Appraisal, 7<sup>th</sup> Edition defines insurable value as:

- A type of value for insurance purposes. *See also insurable replacement cost* [replacement cost for insurance purposes].
- Replacement Cost for Insurance Purposes – The estimated cost, at current prices as of the effective date of valuation, of a substitute for the building being valued, using modern materials and current standards, design, and layout for insurance coverage purposes guaranteeing that damaged property is replaced with new property (i.e., depreciation is not deducted).

**Provision of an Insurable Value by the Appraiser does not change the intended use or user of this Report. No liability is assumed for the Insurable Value estimate provided and it does not guarantee that any estimate or opinion will result in the Property being fully insured for any possible loss that may be sustained. It is recommended that an insurance professional be consulted. The Insurable Value estimate may not be a reliable indication of the replacement or reproduction cost for any date other than the effective date of this Report due to changing costs of labor and materials and due to the changing building codes and governmental regulations and requirements.**

Absent of specific instructions from the Client, which were not provided, we have calculated insurable value to be replacement cost new of the building improvements, less insurance exclusions. Our estimate of insurable value does not include land value, entrepreneurial profit, depreciation, site improvements, and/or the costs to demolish damaged structures.

The client has requested an indication of Actual Cash Value by building. FEMA defines Actual Cash Value as follows:

- Actual Cash Value (ACV) is the cost to repair or replace an insured item of property at the time of the loss, less physical depreciation. The value of physical depreciation is based on the age and condition of the item.

From the basic insurable value, we have also deducted physical depreciation based on the age-life method. The effective age and economic life estimates were previously provided.

We further note that we were not provided with, nor have we reviewed a policy associated with the subject improvements. Given the variance in insurable value calculation methodologies,

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reliance in our estimate should only be made when the estimates made herein are consistent with the in-place policy.

Insurable Replacement Cost and Insurable Value		
Improvements (Structures)		Primary Use
MVS Improvement Type	Health Care - Ambulatory Surgery Center	
Construction Class	C	
Quality	Average	
MVS Section	15	
MVS Page	25	
Source Date	Nov-23	
Base Cost PSF	\$298.00	
+ Sprinklers	\$5.25	
+HVAC (var. from base)	\$0.00	
Other	\$0.00	
Subtotal Base Cost PSF	\$303.25	
Height & Size Refinements		
# of Stories Multiplier	1.000	
Ceiling Height Multiplier	1.000	
Perimeter Multiplier	1.000	
Refined Base Cost PSF	\$303.25	
Final Calculations		
Current Cost Multiplier	1.010	
Local Area Multiplier	0.870	
Other Multiplier (Site Congestion, etc.)	1.000	
Building Cost PSF	\$266.47	
x Structure Size (SF GBA per building)	12,546	
Direct Cost per Building	\$3,343,080	
x Number of Buildings	1	
Replacement Cost New - Buildings	\$3,343,080	
Plus:		
Insurable Replacement Cost		\$3,343,080
Rounded:		\$3,340,000
Less: Insurance Exclusions		
Total Exclusions	10.0%	\$334,308
Total Exclusions	10.0%	\$334,308
Insurable Value		\$3,008,772
Rounded:		\$3,010,000
Actual Cash Value		
Replacement Cost New - Buildings		\$3,343,080
Insurable Replacement Cost		\$3,343,080
Less: Insurance Exclusions		
Total Exclusions	10.0%	\$334,308
Total Exclusions	10.0%	\$334,308
Insurable Repl. Cost After Exclusions		\$3,008,772
Economic Life (Yrs.)		45
Effective Age (Yrs.)		20
Remaining Economic Life (Yrs.)		25
Percent Depreciation		44.44%
Less: Age/Life Depreciation		\$1,337,232
Actual Cash Value		\$1,671,540
Rounded:		\$1,670,000
Total Insurable Replacement Cost and Insurable Value		
		Totals
Insurable Replacement Cost		\$3,340,000
Insurable Value		\$3,010,000
Actual Cash Value		\$1,670,000

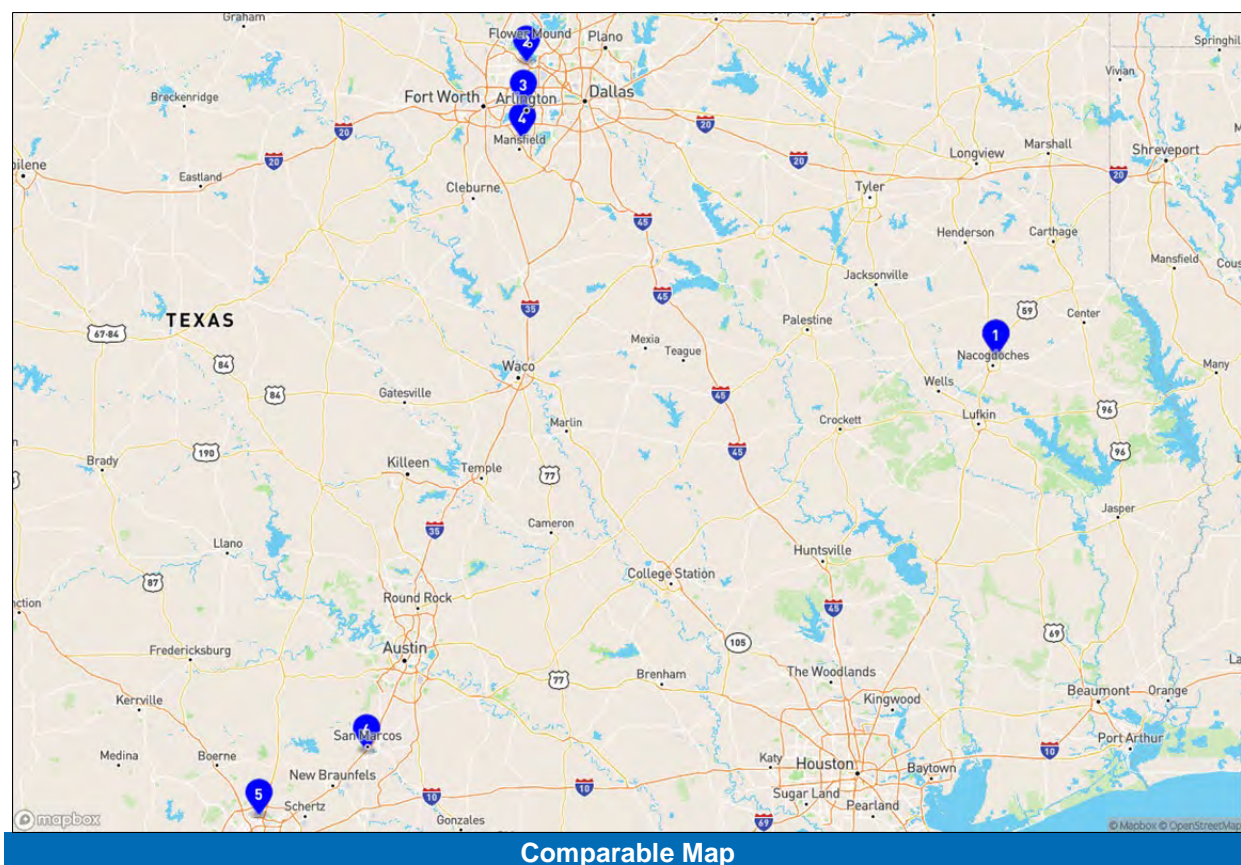
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# Sales Comparison Approach

The sales comparison approach value is derived by analyzing closed sales, listings, or pending sales of properties that are similar to the subject. The sales comparison approach includes the following steps.

- Research and verify information on properties in the competitive market that are similar to the subject and that have recently sold, are listed for sale, or are under contract.
- Select the most relevant units of comparison in the market and develop a comparative analysis.
- Examine and quantify via adjustments differences between the comparable sales and the subject property using all appropriate elements of comparison.
- Reconcile the various value indications to a value bracket and then a single value indication.

The unit of comparison applied in this sales comparison analysis is price per square foot as it mirrors the primary comparison method used by market participants.



Comparable Sales Summary							
	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6
							
Property Name	3610 North University Drive	Nacogdoches Medical Partners	Eye Consultants of Texas	Momentum Spine & Joint	Medical Office Building	American Surgery Center	San Marcos Surgery Center
Address	3610 North University Drive	3328 North University Drive	2201 Westgate Plaza	950 North Davis Drive	801 East Debbie Lane	12838 Vista Del Norte	1891 Medical Parkway
City, State	Nacogdoches, TX	Nacogdoches, TX	Grapevine, TX	Arlington, TX	Mansfield, TX	San Antonio, TX	San Marcos, TX
Land Size	1.38 Acres	1.95 Acres	3.02 Acres	1.13 Acres	1.92 Acres	1.42 Acres	3.05 Acres
Rentable Area (SF)	12,546 SF	8,000 SF	17,724 SF	15,110 SF	11,494 SF	11,300 SF	11,978 SF
Year Built (Renovated)	2000	2023	2010	1985 (2021)	2017	2019	2010
Occupancy/Owner Occ.	N/A	100%	100%	100%	100%	100%	100%
Construction	C	Masonry	Masonry	Masonry	Masonry	Metal/Masonry	Masonry
Condition	Average	Good	Average	Average	Average	Good	Average
Buyer	--	Michbesa LLC	FLAGSHIP CPT GRAPEVINE OWNER LP	Alliance 950 North Davis, LLC	Ctent Debbie Lane LLC	Blazon, LTD	1891 Medical Pkwy LLC
Seller	--	DP NAC Medical LP	EYE CONSULTANTS PROPERTIES LP	TKEN Holdings, LLC	801 E Debbie Lane LLC	MTRF San Antonio TX, LLC	San Marcos Surgical Land Llc
Marketing Time	--	N/A	N/A	N/A	N/A	N/A	N/A
Interest Conveyed	Leased Fee	Leased Fee	Leased Fee	Leased Fee	Leased Fee	Leased Fee	Leased Fee
Competitive Class	Class B	Class B	Class B	Class B	Class B	Class B	Class B
Transaction Status	--	Closed	Closed	Closed	Closed	Closed	Closed
Transaction Date	--	Jun-25	Feb-25	Aug-24	Aug-24	Apr-24	Dec-23
Price	--	\$2,705,000	\$9,800,000	\$6,000,000	\$4,923,056	\$6,700,000	\$5,800,000
Required Capital Costs	--	\$0	\$0	\$0	\$0	\$0	\$0
Stabilized Price	--	\$2,705,000	\$9,800,000	\$6,000,000	\$4,923,056	\$6,700,000	\$5,800,000
Operating Status at Sale	--	Stabilized Operations	Stabilized Operations	Stabilized Operations	Stabilized Operations	Stabilized Operations	Stabilized Operations
Price per SF	--	\$338.13	\$552.92	\$397.09	\$428.32	\$592.92	\$484.22
NOI/SF	\$30.00	\$20.29	\$40.09	\$30.00	\$28.50	\$37.83	\$37.29
Cap Rate	--	6.00%	7.25%	7.56%	6.65%	6.38%	7.70%

Compiled by Newmark

## ANALYSIS OF IMPROVED COMPARABLE DATA

### Comparable One

Sale Comparable One represents the June 2025 sale of an 8,000 square foot medical/hospital campus property located at 3328 North University Drive, Nacogdoches, Texas. The property is an 8,000 square foot medical office building located at 3328 North University Drive in Nacogdoches, TX. The property was built in 2022 and is a Class B asset. The buyer was Michbesa LLC, and the seller was DP NAC Medical LP, Durkin Properties LLC Partner. The medical office building was 100% leased to Tenet Health on a 10.5-year lease. The property was listed for sale for \$2,705,000 with an in-place overall capitalization rate of 6.00%. The broker reported the property sold near the asking price but could not elaborate further due to confidentiality agreement.

No transaction adjustments were warranted.

This comparable required a downward age/condition adjustment due to its newer age and superior design elements. We have applied an upward adjustment for features/amenities due to this property's primarily medical office use and the lack of surgery center build-out. An upward adjustment was applied for economic characteristics due to the below-market rent in-place through lease expiration in January 2033. Net upward property adjustments were indicated. Combining transaction and property adjustments, results in a price per SF indication of \$388.84.



### Comparable Two

Sale Comparable Two represents the February 2025 sale of a 17,724 square foot medical/off campus property located at 2201 Westgate Plaza, Grapevine, Texas. This comparable is the sale of a 17,724-SF ambulatory surgery center, known as LoneStar Ambulatory Surgical Center, on the north side of Westgate Plaza, north of State Highway 121, in Grapevine, TX. The improvements are situated on a 3.0 acre site, were built in 2009 and are not in a designated flood hazard area. The property sold in February 2025 for \$9,800,000 or \$553 PSF, a sale-leaseback transaction with a new 10-year lease. The 10-year lease had a starting rent of \$40 PSF with 2.5% annual bumps. The reported cap rate was 7.25%.

No transaction adjustments were warranted.

We have applied a downward adjustment to this comparable for location due to its superior location in the DFW MSA. This comparable required a downward age/condition adjustment due to its newer age and superior design elements. Net downward property adjustments were indicated. Combining transaction and property adjustments, results in a price per SF indication of \$453.40.

### Comparable Three

Sale Comparable Three represents the August 2024 sale of a 15,110 square foot medical/off campus property located at 950 North Davis Drive, Arlington, Texas. This comparable is a single-tenant medical office located along the west side of Davis Drive on a 1.13-acre site. The building was constructed in 1985, renovated in 2021, and reported to be in average condition at the time of sale. The 3-mile demographics are: 124,791 (Population), \$49,522 (Median HH Income), population growth '23-'28 (5.95%). This comparable was sold in August 2024 for \$6,000,000 (\$397.09 per SF). This was a sale-leaseback transaction as the seller (Momentum Spine & Joint) leased the entire property on a 10-year lease which commenced at close of escrow. The reported NOI of \$453,300 equates to a capitalization of 7.56%.

No transaction adjustments were warranted.

We have applied a downward adjustment to this comparable for location due to its superior location in the DFW MSA. This comparable required an upward adjustment for age/condition due to its older age/condition. We have applied an upward adjustment for features/amenities due to this property's primarily medical office use and the lack of surgery center build-out. Net upward property adjustments were indicated. Combining transaction and property adjustments, results in a price per SF indication of \$416.94.

### Comparable Four

Sale Comparable Four represents the August 2024 sale of a 11,494 square foot medical/off campus property located at 801 East Debbie Lane, Mansfield, Texas. The comparable is a multitenant one-story office building located at the East Debbie Lane in Mansfield, TX on a 1.922-acre site. The building was constructed in 2017 and reported to be in average condition at the time of sale. The 3-mile demographics are: 95,379 (Population), \$ \$97,399 (Median HH Income), population growth '24-'29 (5.34%). This comparable was sold in August 2024 for \$ 4,923,056 (\$428.32 SF). The seller was 801 E Debbie Lane LLC and the buyer was Ctent Debbie Lane LLC. This comparable represents the acquisition of a 11,494 SF medical office building located at 801 East Debbie Lane in Mansfield, TX. The property sold in August 2024 for \$4,923,056 or \$428.32/SF. The improvements were built in 2017 with masonry exterior walls. The improvements were in average condition at the time of sale.

No transaction adjustments were warranted.

We have applied a downward adjustment to this comparable for location due to its superior location in the DFW MSA. This comparable required a downward age/condition adjustment due to its newer age and superior design elements. Net downward property adjustments were indicated. Combining transaction and property adjustments, results in a price per SF indication of \$342.65.

### Comparable Five

Sale Comparable Five represents the April 2024 sale of a 11,300 square foot ambulatory surgery center property located at 12838 Vista Del Norte, San Antonio, Texas. The comparable is a single-tenant medical facility located at the intersection of Vista Del Norte and Wurzbach Parkway on a 1.42-acre site. The building was constructed in 2019 and reported to be in good condition at the time of sale. The 3-mile demographics are: 92,087 (Population), \$69,369 (Median HH Income), population growth '23-'28 (6.46%). This comparable was traded in April 2024 for a reported sale price of \$6,700,000 (\$593 per SF). The property is 100% leased to American Surgery Center. The reported NOI of \$427,460 equates to a capitalization rate of 6.38%.

No transaction adjustments were warranted.

We have applied a downward adjustment to this comparable for location due to its superior location in the Greater San Antonio MSA. This comparable required a downward age/condition adjustment due to its newer age and superior design elements. Net downward property adjustments were indicated. Combining transaction and property adjustments, results in a price per SF indication of \$474.34.

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### Comparable Six

Sale Comparable Six represents the December 2023 sale of a 11,978 square foot ambulatory surgery center property located at 1891 Medical Parkway, San Marcos, Texas. This comparable is a single-tenant surgery center located along the east side of Medical Parkway on a 3.05-acre site. The building was constructed in 2010 and reported to be in average condition at the time of sale. The 3-mile demographics are: 52,043 (Population), \$37,283 (Median HH Income), population growth '23-'28 (30.03%). This comparable was sold in August 2024 for \$5,800,000 (\$484 per SF). The facility is 100% leased by San Marcos Surgery Center on a 4-year renewal lease. The reported NOI of \$446,660 equates to a capitalization of 7.70%.

No transaction adjustments were warranted.

We have applied a downward adjustment to this comparable for location due to its superior location in the Austion-Round Rock-San Marcos MSA. This comparable required a downward age/condition adjustment due to its newer age and superior design elements. An upward adjustment was applied for economic characteristics due to only having four years of lease term remaining. Net downward property adjustments were indicated. Combining transaction and property adjustments, results in a price per SF indication of \$421.27.

### Summary of Adjustments / Adjustment Grid

Based on our comparative analysis, the following table summarizes the adjustments warranted to each comparable.

Comparable Sales Adjustment Grid							
	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6
Property Name	3610 North University Drive	Nacogdoches Medical Partners	Eye Consultants of Texas	Momentum Spine & Joint	Medical Office Building	American Surgery Center	San Marcos Surgery Center
Address	3610 North University Drive	3328 North University Drive	2201 Westgate Plaza	950 North Davis Drive	801 East Debbie Lane	12838 Vista Del Norte	1891 Medical Parkway
City	Nacogdoches, TX	Nacogdoches, TX	Grapevine, TX	Arlington, TX	Mansfield, TX	San Antonio, TX	San Marcos, TX
Land Size	2.37 Acres	1.95 Acres	3.02 Acres	1.13 Acres	1.92 Acres	1.42 Acres	3.05 Acres
Rentable Area (SF)	12,546 SF	8,000 SF	17,724 SF	15,110 SF	11,494 SF	11,300 SF	11,978 SF
Year Built (Renovated)	2000	2023	2010	1985 (2021)	2017	2019	2010
NOI/SF	\$30.00	\$20.29	\$40.09	\$30.00	\$28.50	\$37.83	\$37.29
Transaction Type	--	Closed	Closed	Closed	Closed	Closed	Closed
Transaction Date	--	Jun-25	Feb-25	Aug-24	Aug-24	Apr-24	Dec-23
Actual Sale Price	--	\$2,705,000	\$9,800,000	\$6,000,000	\$4,923,056	\$6,700,000	\$5,800,000
Stabilized Sale Price	--	\$2,705,000	\$9,800,000	\$6,000,000	\$4,923,056	\$6,700,000	\$5,800,000
Price per SF	--	\$338.13	\$552.92	\$397.09	\$428.32	\$592.92	\$484.22
Occupancy	N/A	100%	100%	100%	100%	100%	100%
Cap Rate	--	6.00%	7.25%	7.56%	6.65%	6.38%	7.70%
<b>Transaction Adjustments</b>							
Property Rights		0%	0%	0%	0%	0%	0%
Financing		0%	0%	0%	0%	0%	0%
Conditions of Sale		0%	0%	0%	0%	0%	0%
Market Conditions (Time)	6/5/2025	0%	0%	0%	0%	0%	0%
Subtotal (adjustments are multiplied)		0%	0%	0%	0%	0%	0%
Transaction Adjusted Price per SF		\$338.13	\$552.92	\$397.09	\$428.32	\$592.92	\$484.22
<b>Property Adjustments</b>							
Location		0%	-15%	-15%	-15%	-15%	-15%
Size		0%	0%	0%	0%	0%	0%
Age/Condition		-5%	-3%	5%	-5%	-5%	-3%
Parking		0%	0%	0%	0%	0%	0%
Features/Amenities		15%	0%	15%	0%	0%	0%
Quality		0%	0%	0%	0%	0%	0%
Economic Characteristics		5%	0%	0%	0%	0%	5%
Other		0%	0%	0%	0%	0%	0%
Subtotal (adjustments are summed)		15%	-18%	5%	-20%	-20%	-13%
Gross Adjustment		25%	18%	35%	20%	20%	23%
Overall Adjustment		15.0%	-18.0%	5.0%	-20.0%	-20.0%	-13.0%
<b>Indicated Price per SF</b>		<b>\$388.84</b>	<b>\$453.40</b>	<b>\$416.94</b>	<b>\$342.65</b>	<b>\$474.34</b>	<b>\$421.27</b>

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## SALES COMPARISON APPROACH CONCLUSION

- Market participants have indicated value trends have been on a stable and positive trend.
- Prior to adjustments, the sales reflect a range of \$338.13 to \$592.92 per SF.
- After adjustment, the range is narrowed to \$342.65 to \$474.34 per SF, with an average of \$416.24 per SF.
- To arrive at an indication of value, primary emphasis is placed on all the comparables, because all the comparables were single-tenant leased fee properties that reflect some form of similarity to the subject. For example, Sale 1 is most similar in location. Sales 2, 4, 5, and 6 are most similar in property features/amenities. Sale 3 is the only sale that is older in age, but has been renovated.

Based on the preceding analysis, the value indication by the sales comparison approach is as follows:

**Sales Comparison Approach Conclusion**

<b>Reconciliation of Price per SF Indication</b>		<b>Value Indication</b>
Adjusted Value Range - Low		\$342.65
Adjusted Value Range - High		\$474.34
Reconciled As Stabilized Value - Price per SF	Effective Date: 6/5/2025	\$416.00
Subject Rentable Area (SF)		12,546
Reconciled As Stabilized Value - Price per SF Analysis		\$5,219,136
Reconciled As Stabilized Value - Sales Comparison Approach	Effective Date: 6/5/2025	\$5,219,136

**Value Indications**

<b>As Is</b>		<b>Value Indication</b>
Reconciled As Stabilized Value	Effective Date: 6/5/2025	\$5,219,136
Stabilization Discount		(\$120,000)
As Is Value	Effective Date: 6/5/2025	\$5,099,136
<b>Rounded</b>		<b>\$5,100,000</b>

*Compiled by Newmark***Recent Sale of Subject**

Date of Sale:	November 20, 2024
Most Recent Reported Sale:	November 20, 2024
Buyer:	Nacogdoches ASC Texas LLC
Seller:	Foundation Surgery Affiliate
Purchase Price:	\$2,500,000      \$199.27 Per SF (Net Rentable Area)
Deed Information:	Special Warranty Deed with Vendor's Lien
Comments:	Document No: 2024-7963

The subject property sold 7 months ago for a reported purchase price estimate of \$2,500,000, or \$199.27 PSF. The subject was 100 percent vacant at the time of sale. Since that time, the owner spent approximately \$250,000 to rehab the building, including the rough-in plumbing and sanitary sewer work. The owner also executed a new 10-year lease in March 2025 with a rent commencement date of September 1, 2025. Our value conclusion reflects the leased fee value of new 10-year lease. As a result, the value change is considered reasonable and supported based on market data.

# Income Capitalization Approach

The income capitalization approach reflects the subject’s income-producing capabilities. This approach is based on the assumption that value is created by the expectation of benefits to be derived in the future. Specifically estimated is the amount an investor would be willing to pay to receive an income stream plus reversion value from a property over a period of time. The two common valuation techniques associated with the income capitalization approach are direct capitalization and the discounted cash flow (DCF) analysis.

The direct capitalization method is normally more appropriate for properties with relatively stable operating histories and expectations. The DCF analysis is more appropriate for investment properties with multiple or long-term leases, particularly leases with cancellation clauses or renewal options, and especially in volatile markets.

In this analysis, we utilized only direct cap to represent typical behavior of investors/participants.

## LEASE ABSTRACT

Lease Summary		
Lessor:	Nacogdoches ASC Texas LLC	
Lessee:	Foundation Surgery Affiliate of Nacogdoches, LLC	
Leased SF:	12,546	
Lease Type:	Absolute Net	
Tenant Paid Expenses:	Tenant pays all associated operating expenses	
Owner Paid Expenses:	None	
Lease Start Date:	9/1/2025	
Lease Expiration Date:	8/30/2035	
Cancellation Clause:	None	
Renewal Options:	(2) Five-Year Options	
Lease Term (Months):	120	
Remaining Lease Term (Months):	123	
Monthly Effective Rent	\$31,365	
Annual Effective Rent	\$376,380	
Purchase Option:	None	

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Scheduled Lease Payments					
Month	Term	Begin Date	Monthly Rent	PSF/Yr	Annual Rent
1	12	9/1/2025	\$31,365	\$30.00	\$376,380
13	12	9/1/2026	\$32,306	\$30.90	\$387,671
25	12	9/1/2027	\$33,275	\$31.83	\$399,302
37	12	9/1/2028	\$34,273	\$32.78	\$411,281
49	12	9/1/2029	\$35,302	\$33.77	\$423,619
61	12	9/1/2030	\$36,361	\$34.78	\$436,328
73	12	9/1/2031	\$37,451	\$35.82	\$449,417
85	12	9/1/2032	\$38,575	\$36.90	\$462,900
97	12	9/1/2033	\$39,732	\$38.00	\$476,787
109	12	9/1/2034	\$40,924	\$39.14	\$491,091

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- There are two, five-year options for renewal with base rent at the greater of the rent for the 12-month period immediately preceding the commencement of each extended term, or fair market value.
- The guarantor of the lease is Dr. Carl Jones.

### Tenancy Analysis

Foundation Surgery Affiliate of Nacogdoches, LLC, operating as Nacogdoches Surgery Center, was officially established on October 17, 2007, in the state of Texas as a domestic limited liability company. The center specializes in outpatient surgical services and is part of a broader network of ambulatory surgical facilities originally developed under the Foundation Surgery Affiliates brand.

The owner of Foundation Surgery Affiliate of Nacogdoches, LLC is not a single individual but rather a corporate entity. The company is registered as a limited liability company (LLC) in Texas and operates under the business name Nacogdoches Surgery Center. It is likely owned by a group of investors or a parent healthcare organization. The authorized official listed in the National Provider Identifier (NPI) registry is Mr. Jimmie Williams, RN, who serves as the Administrator of the facility. While he is responsible for the day-to-day operations and regulatory compliance, ownership is typically held by a parent company or a group of physician-investors.

Foundation Surgery Affiliate of Nacogdoches, LLC offers a range of outpatient surgical services, primarily billed to Medicare and other insurance providers. The center is classified as an Ambulatory Surgical Clinic, which typically includes procedures that do not require overnight hospital stays.

The services likely include Gastrointestinal procedures (e.g., colonoscopies, endoscopies), Orthopedic surgeries (e.g., arthroscopies, joint repairs), Ophthalmologic surgeries (e.g., cataract removal), Pain management injections, ENT (ear, nose, and throat) procedures, General surgical procedures (e.g., hernia repairs, biopsies). These services are performed in a controlled outpatient setting, allowing patients to return home the same day. The center is equipped with modern surgical suites and recovery areas, and it accepts a wide range of insurance plans, including multiple Blue Cross Blue Shield options.

The center has shown consistent performance in outpatient procedures, particularly in colonoscopy and upper GI endoscopy services. During 2021-2023,

**Procedure Volume:** The center performed a high volume of colonoscopies and endoscopies, with rates comparable to or exceeding both state and national averages. This suggests a strong procedural focus and growing patient trust in these services.

**Patient Outcomes:** Complication rates were reported as “as expected”, indicating safe and consistent care.

Unplanned ER visits and hospital admissions were average or fewer than expected, reflecting effective post-operative care and patient management.

**Length of Stay:** Patients typically experienced shorter or expected recovery times, which is a positive indicator of procedural efficiency and low complication rates.

**Service Quality:** The center maintained high patient satisfaction, with favorable ratings for both the quality of care and procedural outcomes.

As of 2025, the current trends at Foundation Surgery Affiliate of Nacogdoches, LLC (Nacogdoches Surgery Center) reflect continued strength in outpatient gastrointestinal procedures, particularly colonoscopy and upper GI endoscopy services.

While Foundation Surgery Affiliate of Nacogdoches, LLC does not publicly disclose its exact revenue figures, but looking at the Revenue Distribution by Service Type, the center reflects a strong focus on gastrointestinal procedures, which account for approximately 50% of the center's revenue. The remaining revenue is split among general surgery, pain management, and other outpatient services.

As a privately held, single-site ambulatory surgical center, Foundation Surgery Affiliate of Nacogdoches, LLC does not have publicly available credit ratings from major credit rating agencies such as S&P Global, Moody's, or Fitch. Therefore, there is no credit rating or outlook information available for Foundation Surgery Affiliate of Nacogdoches, LLC.

- Overall, the credit quality of the tenancy appears to be typical of the subject's property class.

### Expense Structure

- The lease is signed on an absolute net basis.

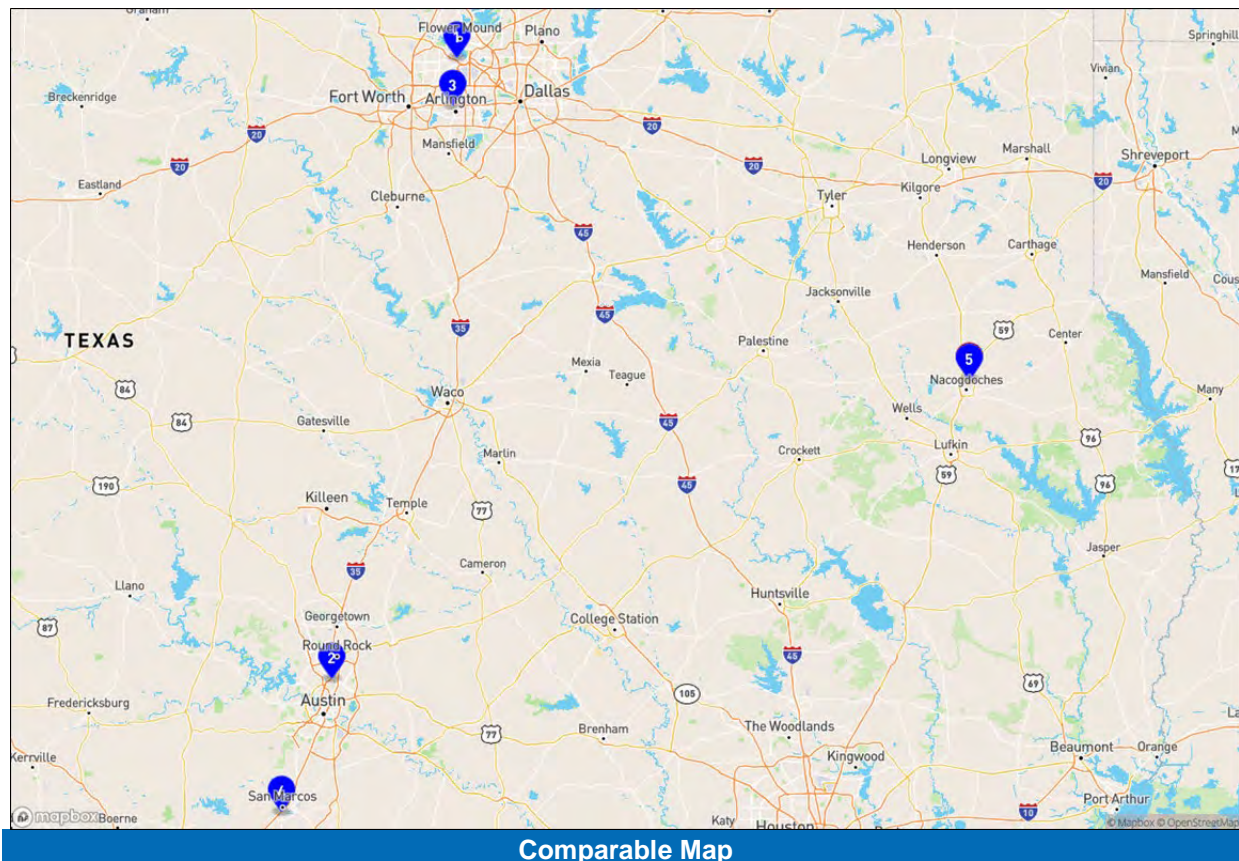
### Lease Expiration Analysis

- The initial term of the lease is 10 years.

## MARKET RENT ANALYSIS

In estimating market rent for the subject property, we considered data and opinions from the following:

- actual recent leases from comparable buildings;
- asking rents from competitive properties (such as those presented in the health care market analysis section of this report); and
- opinions of market rent derived from our interviews of leasing brokers active in the local market.



No.	Name	Address
Subject	3610 North University Drive	3610 North University Drive, Nacogdoches, TX
1	Eye Consultants of Texas	2201 Westgate Plaza, Grapevine, TX
2	2200 Park Bend Dr	2200 Park Bend Drive, Austin, TX
3	Momentum Spine & Joint	950 North Davis Drive, Arlington, TX
4	San Marcos Surgery Center	1891 Medical Parkway, San Marcos, TX
5	Nacogdoches Medical Partners	3328 North University Drive, Nacogdoches, TX

*Compiled by Newmark*



Comparable One



Comparable Two



Comparable Three



Comparable Four



Comparable Five



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## Analysis of Comparable Properties

### Comparable One

Rental Survey Comparable One represents the June 2025 survey of a 17,724 square foot medical/off campus property located at 2201 Westgate Plaza, Grapevine, Texas. The lease was a 10-year sale-leaseback with a starting rent of \$40 PSF, NNN and 2.5% annual rent escalations.

Compared to the subject this property is considered superior overall. This is mostly attributed to location, and age/condition. As a result, this property's lease rate requires downward adjustment in comparison to the subject.

### Comparable Two

Rental Survey Comparable Two represents the May 2025 survey of a 20,000 square foot medical/off campus property located at 2200 Park Bend Drive, Austin, Texas. This comparable is a two-tenant medical office building located along the north side of Park Bend Drive on a 1.42-acre site. The building was constructed in 2004 and reported to be in average condition. The 3-mile demographics are: 124,041 (Population), \$70,340 (Median HH Income), population growth '23-'28 (8.23%). The facility is 100% leased to two tenants, Austin Thyroid & Endocrinology, and Austin Premier Surgical Center who each have 5 and 7 years of remaining term, respectively.

Compared to the subject this property is considered superior overall. This is mostly attributed to location and age/condition, which was partially offset by inferior features/amenities. As a result, this property's lease rate requires downward adjustment in comparison to the subject.

### Comparable Three

Rental Survey Comparable Three represents the January 2025 survey of a 15,110 square foot medical/off campus property located at 950 North Davis Drive, Arlington, Texas. This comparable is a single-tenant medical office located along the west side of Davis Drive on a 1.13-acre site. The building was constructed in 1985, renovated in 2021, and reported to be in average condition at the time of sale. The 3-mile demographics are: 124,791 (Population), \$49,522 (Median HH Income), population growth '23-'28 (5.95%). This comparable represents a signed lease for 15,110 SF of medical office space located at 950 North Davis Drive in Arlington, Texas. The ten-year lease was signed August 2024 by Momentum Spine at \$30.00/SF/Yr. NNN. The lease has fixed percentage yearly rent bumps.

Compared to the subject this property is considered inferior overall. This is mostly attributed to features/amenities and age/condition, which was partially offset by superior location. As a result, this property's lease rate requires upward adjustment in comparison to the subject.



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**Comparable Four**

Rental Survey Comparable Four represents the August 2024 survey of a 11,978 square foot ambulatory surgery center property located at 1891 Medical Parkway, San Marcos, Texas. This comparable is a single-tenant surgery center located along the east side of Medical Parkway on a 3.05-acre site. The building was constructed in 2010 and reported to be in average condition. The 3-mile demographics are: 52,043 (Population), \$37,283 (Median HH Income), population growth '23-'28 (30.03%). This comparable was sold in August 2024 for \$5,800,000 (\$484 per SF). The facility is 100% leased by San Marcos Surgery Center on a 4-year renewal lease. The reported NOI of \$446,660 equates to a capitalization of 7.70%.



Compared to the subject this property is considered superior overall. This is mostly attributed to location and age/condition. As a result, this property's lease rate requires downward adjustment in comparison to the subject.

**Comparable Five**

Rental Survey Comparable Five represents the June 2025 survey of an 8,133 square foot medical/hospital campus property located at 3328 North University Drive, Nacogdoches, Texas. The tenant executed a 10.5-year lease with a starting rent of \$19.50 PSF. The triple net lease includes 2% annual escalations.

Compared to the subject this property is considered inferior overall. This is mostly attributed to features/amenities, which was partially offset by its newer age/condition. As a result, this property's lease rate requires upward adjustment in comparison to the subject.

## Analysis of Comparable Leases

Comparable Leases Summary						
Health Care Space	Subject	Lease 1	Lease 2	Lease 3	Lease 4	Lease 5
						
Property Name	3610 North University Drive	Eye Consultants of Texas	2200 Park Bend Dr	Momentum Spine & Joint	San Marcos Surgery Center	Nacogdoches Medical Partners
Address	3610 North University Drive	2201 Westgate Plaza	2200 Park Bend Drive	950 North Davis Drive	1891 Medical Parkway	3328 North University Drive
City, State	Nacogdoches, TX	Grapevine, TX	Austin, TX	Arlington, TX	San Marcos, TX	Nacogdoches, TX
Submarket	Valuation Health Care	Grapevine/Southlake	North	North Arlington/Grand	Outside Metro Area	Valuation Office
Rentable Area (SF)	12,546 SF	17,724 SF	20,000 SF	15,110 SF	11,978 SF	8,133 SF
Year Built (Renovated)	2000	2010	2004	1985 (2021)	2010	2023
Number of Stories	1	1	3	1	1	1
Exterior	Brick	Concrete and Stone	Concrete/Blk/Stucco	Brick	Brick	Brick
Condition	Average	Average	Average	Average	Average	Good
Investment Grade	Class B	Class B	Class B	Class B	Class B	Class B
Rental Survey Information						
Survey Date		Jun-25	May-25	Jan-25	Aug-24	Jun-25
Occupancy at Survey	N/A	100%	100%	100%	100%	100%
Lease Details						
Lease Status		Signed Lease	Signed Lease	Signed Lease	Signed Lease	Signed Lease
Lease Date		Feb-25	Sep-24	Aug-24	Jul-23	Jul-22
Term (Mos.)		120	60	120	48	126
Lease Size (SF)		17,724	10,000	15,110	11,978	8,000
Tenant Name		Eye Consultants of	Capri MSO, LLC (Austin	Momentum Spine	San Marcos Surgery	Tenet Health
Full Building Lease		No	No	Yes	Yes	Yes
Rates and Measures						
Base Rental Rate		\$40.00	\$36.00	\$30.00	\$37.29	\$19.50
Lease Reimbursement Method		Triple Net	Triple Net	Triple Net	Net	Triple Net

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Comparable Leases Summary						
No.	Property Name	Lease Date	Leased SF	Base Rent/SF	Reimbursement	Comparison to Subject
	Tenant					MLA Category
1	Eye Consultants of Texas					
Lease Summary						
	Eye Consultants of Texas	Feb-2025	17,724	\$40.00	Triple Net	Health Care
2	2200 Park Bend Dr					
Lease Summary						
	Thyroid & Endocrinology)	Sep-2024	10,000	\$36.00	Triple Net	Health Care
3	Momentum Spine & Joint					
Lease Summary						
	Momentum Spine	Aug-2024	15,110	\$30.00	Triple Net	Health Care
4	San Marcos Surgery Center					
Lease Summary						
	San Marcos Surgery Center	Jul-2023	11,978	\$37.29	Net	Health Care
5	Nacogdoches Medical Partners					
Lease Summary						
	Tenet Health	Jul-2022	8,000	\$19.50	Triple Net	Health Care
Indicated Rent by Space Type		Unadjusted Range	Average		Newmark Estimate	
Health Care Space:		\$19.50	\$40.00	\$32.56	\$30.00	

Compiled by Newmark

The following table summarizes the adjustments made to each comparable.

Comparable Leases Adjustment Grid						
Health Care Space	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Property Name	3610 North University Drive	Eye Consultants of Texas	2200 Park Bend Dr	Momentum Spine & Joint	San Marcos Surgery Center	Nacogdoches Medical Partners
Address	3610 North University Drive	2201 Westgate Plaza	2200 Park Bend Drive	950 North Davis Drive	1891 Medical Parkway	3328 North University Drive
Lease Date		Feb-25	Sep-24	Aug-24	Jul-23	Jul-22
Term (Mos.)		120	60	120	48	126
Size (SF)		17,724	10,000	15,110	11,978	8,000
Tenant Name		Eye Consultants of	Capri MSO, LLC (Austin	Momentum Spine	San Marcos Surgery	Tenet Health
Base Rental Rate		\$40.00	\$36.00	\$30.00	\$37.29	\$19.50
Base Rent Escalation Type		Fixed Percentage	Fixed Percentage	Fixed Percentage	Fixed Percentage	Fixed Percentage
Lease Reimbursement Method		Triple Net	Triple Net	Triple Net	Net	Triple Net
Financial Adjustments						
Expense Structure (\$ PSF Adjustment)		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Expense Structure		0%	0%	0%	0%	0%
Conditions of Lease		0%	0%	0%	0%	0%
Market Conditions (Time)	6/5/2025	0%	0%	0%	0%	20%
Subtotal		0%	0%	0%	0%	20%
Financial Adjusted Rent Per SF		\$40.00	\$36.00	\$30.00	\$37.29	\$23.40
Physical Adjustments						
Location/Access/Exposure		-15%	-15%	-15%	-15%	0%
Size		0%	0%	0%	0%	0%
Age/Condition		-5%	-3%	5%	-3%	-5%
Parking		0%	0%	0%	0%	0%
Features/Amenities		0%	3%	15%	0%	15%
Quality		0%	0%	0%	0%	0%
Economic Characteristics		0%	0%	0%	0%	0%
Other		0%	0%	0%	0%	0%
Subtotal		-20%	-15%	5%	-18%	10%
Overall Adjustment		-20%	-15%	5%	-18%	32%
Adjusted Rent Per SF		\$32.00	\$30.60	\$31.50	\$30.58	\$25.74
Range of Adjusted Rents	\$25.74 - \$32.00					
Average	\$30.08					
Indicated Rent	\$30.00					

Compiled by Newmark

## Market Participants

Discussions with brokers and other market participants indicate that rental rates are heavily dependent on location, interior build-out/TI, and the tenant's sales coverage ratio. The current rent levels for the subject should fall in the range of \$25.00 to \$35.00 SF.

## MARKET RENT CONCLUSION

### Base Rent Conclusions

After analysis, the overall range adjusted range and concluded market base rent for the subject is as follows:

Base Rent Conclusions						
MLA Category	Adjusted Comparable Leases			Recent Lease Range	Market Participants	Newmark Estimate
	Low	High	Average			
Health Care Space:	\$25.74	\$32.00	\$30.08	\$30.00	\$25.00 - \$35.00	\$30.00

Compiled by Newmark

All the comparables were relevant because the data represents larger medical office or surgery centers similar to the subject. The comparables further support the subject's recently executed lease. Given the subject's location and physical characteristics, a rent in the middle of the adjusted range is most applicable to the subject.

### Market Rent Conclusions

Based on the preceding analysis, the following is the concluded market lease terms for the subject:

Concluded Market Lease Terms							
MLA Category	Rentable SF	Market Rent	Measure	Rent Escalations	Reimbursement Method	Term (Mos.)	Mos. Free
Health Care Space:	12,546	\$30.00	\$/SF/Year	3.00%/year	NNN	120	0

*Compiled by Newmark*

## GROSS INCOME ESTIMATE

### Potential Gross Rent

Figures presented below reflect the 12-month period following the effective date of the appraisal.

Potential Gross Rent						
MLA Category	Leased SF	Potential Rent At Contract Annual	Potential Rent At Contract \$/SF/Yr	Potential Rent At Market Annual	Potential Rent At Market \$/SF/Yr	Contract as % of Market
Occupied Space						
Health Care Space:	12,546	\$376,380	\$30.00	\$376,380	\$30.00	100.0%
Occupied Space Total	12,546	\$376,380	\$30.00	\$376,380	\$30.00	100.0%
<b>Overall Total</b>	<b>12,546</b>	<b>\$376,380</b>	<b>\$30.00</b>	<b>\$376,380</b>	<b>\$30.00</b>	

*Compiled by Newmark*

- For the direct capitalization analysis, potential gross rent is based on contract rents in place.
- The contract rent is 100% of our market rent conclusion.

Potential Base Rent		
Subject	\$/SF	Total
Newmark Projection	\$30.00	\$376,380

*Compiled by Newmark*

### Operating History

The subject is a single-tenant absolute net lease property. In this case, the owner essentially receives rent and the tenant pays all other expenses of operation. The subject was recently acquired by current ownership. Although requested, there is no actual operating history provided.

### Expense Recoveries

Expense Recoveries		
Subject	\$/SF	Total
Newmark Projection	\$8.69	\$109,003

*Compiled by Newmark*

- Our analysis projects operating expense and applied the absolute net expense recovery method per the lease.

### Total Tenant Revenue

Total tenant revenue is the summation of scheduled base rent, expense recoveries, and percentage rent income (if any).

Total Tenant Revenue		
Subject	\$/SF	Total
Newmark Projection	\$38.69	\$485,383

*Compiled by Newmark*

### Vacancy & Collection Loss Allowance

#### Vacancy Allowance

The subject's occupancy history is depicted as follows:

Occupancy	
Subject	% of PGI
Newmark Projection	100.00%

*Compiled by Newmark*

Vacancy Allowance			
Subject	% of PGI	\$/SF	Total
Newmark Projection	0.00%	\$0.00	\$0

*Compiled by Newmark*

- Investors generally exclude vacancy and collection loss from their analyses of single-tenant properties. The capitalization rate data is developed in this manner as well – vacancy and collection loss is not deducted prior to development of the capitalization rate. For consistency, therefore, we have excluded vacancy and collection loss.
- The vacancy estimate for the subject was previously developed in the market analysis section of this report.

### Collection Allowance

Collection Allowance			
Subject	% of PGI	\$/SF	Total
Newmark Projection	0.00%	\$0.00	\$0

*Compiled by Newmark*

- The subject tenant is considered to have average creditworthiness overall.
- As with vacancy, investors generally exclude collection loss from their analyses of single-tenant properties. The capitalization rate data is developed in this manner as well and for consistency, we have excluded collection loss.
- Based on available data and analysis, the concluded collection loss allowance is 0.00%.

### Combined Vacancy and Collection Loss Conclusion

- Based on this analysis, the total stabilized vacancy and collection loss allowance for the subject is 0.00%.

### Effective Gross Income

Effective Gross Income		
Subject	\$/SF	Total
Newmark Projection	\$38.69	\$485,383

*Compiled by Newmark*

## OPERATING EXPENSE ANALYSIS

Expense data for the subject and comparable properties are summarized in the following table.



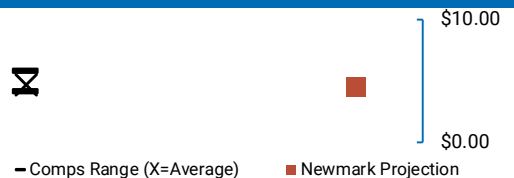
## Expense Analysis Per SF

	Comp 1	Comp 2	Comp 3	Subject
<b>Year Built</b>	2004	1976/2009	2002	2000
<b>SF</b>	16,770	22,060	11,828	12,546
<b>Operating Data Type</b>	Actual	Actual	Pro Forma	<b>Newmark</b>
<b>Year</b>	2024	2024	2024	<b>Projection</b>
<b>Effective Gross Health Care Income Per SF</b>	\$37.10	\$36.47	\$29.73	<b>\$38.69</b>
<b>Operating Expenses Per SF</b>				
Real Estate Taxes	\$5.78	\$4.14	\$4.11	\$4.53
Insurance	\$0.82	\$0.56	\$0.69	\$0.80
Repairs and Maintenance	\$0.60	\$2.46	\$2.97	\$2.00
Management		\$1.46	\$1.08	\$1.35
<b>Total Operating Expenses Per SF</b>	<b>\$7.20</b>	<b>\$8.62</b>	<b>\$8.85</b>	<b>\$8.69</b>
<b>Net Operating Income Per SF</b>	<b>\$29.90</b>	<b>\$27.85</b>	<b>\$20.88</b>	<b>\$30.00</b>
<b>Operating Expense KPIs (% of EGI)</b>				
State Margin Tax				
Management		4.00%	3.63%	3.50%
<b>Operating Expense Ratio (% of EGI)</b>	<b>19.41%</b>	<b>23.64%</b>	<b>29.77%</b>	<b>22.46%</b>
<b>Net Operating Income (% of EGI)</b>	<b>80.59%</b>	<b>76.36%</b>	<b>70.23%</b>	<b>77.54%</b>

Compiled by Newmark

## Real Estate Taxes

Real Estate Taxes			
Source	% of EGI	\$/SF	Total
Comparables Low	11.4%	\$4.11	
Comparables High	15.6%	\$5.78	
Comparables Average	13.6%	\$4.68	
<b>Subject</b>			
Newmark Projection	11.7%	\$4.53	\$56,886

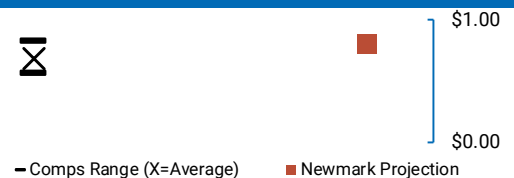


Compiled by Newmark

- This expense category includes all local, county, and state property tax levies. Our projection is based on the property assessment and tax rate for the subject, as discussed previously in the Real Estate Tax Analysis.

## Insurance

Insurance			
Source	% of EGI	\$/SF	Total
Comparables Low	1.5%	\$0.56	
Comparables High	2.3%	\$0.82	
Comparables Average	2.0%	\$0.69	
<b>Subject</b>			
Newmark Projection	2.1%	\$0.80	\$10,037

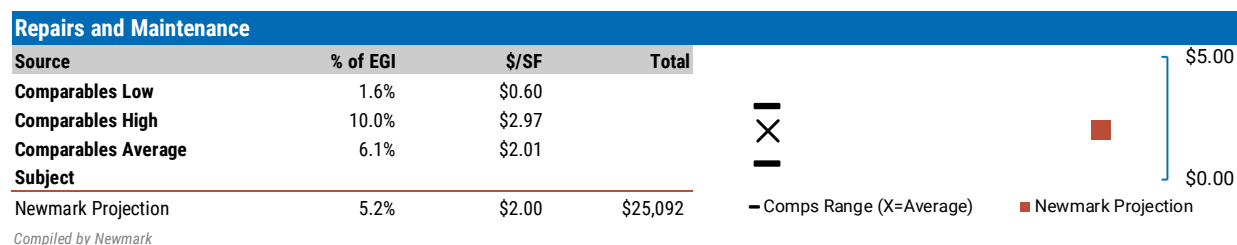


Compiled by Newmark

- Insurance expense includes property and casualty insurance for the subject.

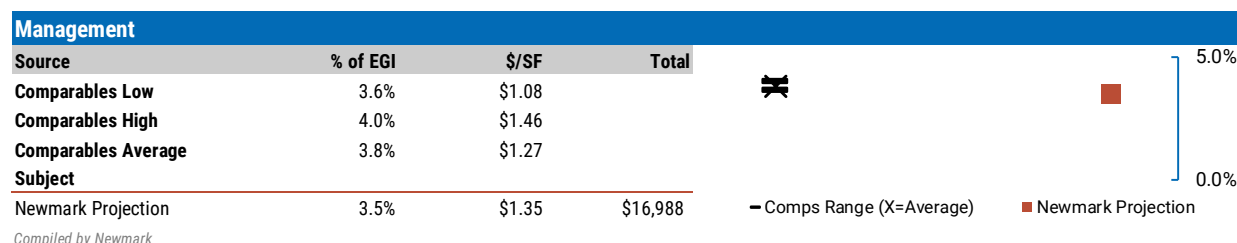
- Our analysis projects year one insurance expense at \$0.80 PSF, which is towards the upper-end of the range due a portion of the subject being in a flood zone.

## Repairs and Maintenance



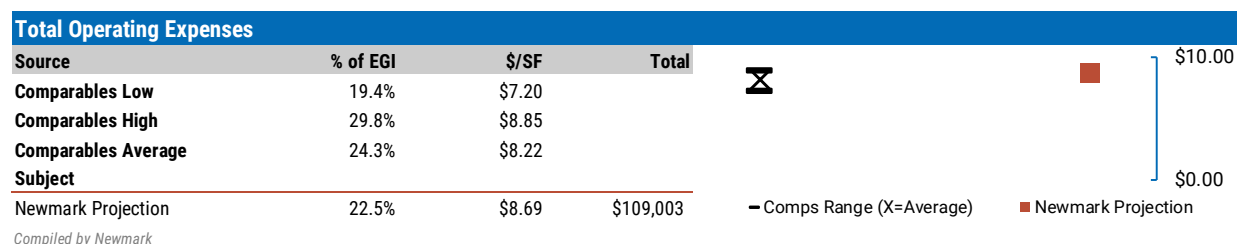
- Repairs and maintenance includes expenditures to repair and maintain mechanical systems and structural components, encompassing payroll and contract costs, landscaping, as appropriate. Excluded are alterations and major replacements, which are considered capital costs rather than periodic expenses.
- Our analysis projects year one repair & maintenance expense at \$2.00 per square foot. The projection is in line with the comparables range.

## Management



- Management fees are considered an expense of operation, whether the services are contracted or provided by the property owner.
- Typical management fees for properties of this type range from 3.00% to 4.00%.
- Considering that the subject is a single-tenant property with typical management needs, we project an overall management fee of 3.50% of effective gross income.

## Total Operating Expenses



- The total operating expenses for the subject are similar to the comparables.

## NET OPERATING INCOME

Net Operating Income					
Source	% of EGI	\$/SF	Total		
Comparables Low	70.2%	\$20.88		✂	■
Comparables High	80.6%	\$29.90			
Comparables Average	75.7%	\$26.21			
<b>Subject</b>					
Newmark Projection	77.5%	\$30.00	\$376,380	— Comps Range (X=Average)	■ Newmark Projection

Compiled by Newmark

- Our estimate equates to current rent which is consistent with investor analyses of single-tenant properties like the subject.

## DIRECT CAPITALIZATION

In an effort to tame a rapidly escalating rate of inflation, the U.S. Fed implemented its most aggressive actions since 2005. The impacts to both the residential and commercial real estate markets have been material as borrowing costs increased significantly. However, just the small relief afforded by the Fed's recent action lowering rates, with more reductions expected, have improved prospects for CRE. Negative leverage continues as mortgage rates are above capitalization rates but is improving. Transactions slowed during this period of high interest rates and data points are limited reducing clarity with respect to price discovery and valuations. Investor surveys reflect a consensus view that capitalization rates will hold steady over the next six months — although this could be improved by faster interest rate reductions by the Federal Reserve.

## Comparable Sales

Comparable Health Care Sales Summary							
No.	Property Location	Yr. Built	Sale Date	Rentable Area	Occ. %	Price per SF	OAR
1	3328 North University Drive, Nacogdoches, TX	2023	Jun-2025	8,000	100%	\$338	6.00%
2	2201 Westgate Plaza, Grapevine, TX	2010	Feb-2025	17,724	100%	\$553	7.25%
3	950 North Davis Drive, Arlington, TX	1985	Aug-2024	15,110	100%	\$397	7.56%
4	801 East Debbie Lane, Mansfield, TX	2017	Aug-2024	11,494	100%	\$428	6.65%
5	12838 Vista Del Norte, San Antonio, TX	2019	Apr-2024	11,300	100%	\$593	6.38%
6	1891 Medical Parkway, San Marcos, TX	2010	Dec-2023	11,978	100%	\$484	7.70%
Average (Mean) Cap Rate:							6.92%

Compiled by Newmark

- Primary emphasis has been placed on comps Two, Three, and Four, which were all properties with similar long-term leases. Sale Two and Four are more recent sales of similar healthcare properties with surgery center features and interior build-out. Sale Three is similar in size, and lease term and is the only comparable that is older in age and was renovated.
- Secondary emphasis was placed on comps One, Five, and Six. Sale One is similar in location; however, it does not have surgery center features and interior build-out.

Although attempts were made, we were unable to confirm the actual sales price and overall capitalization rate. Sales Five and Six were older sales. Further, Sale Six only had four years remaining on the lease term.

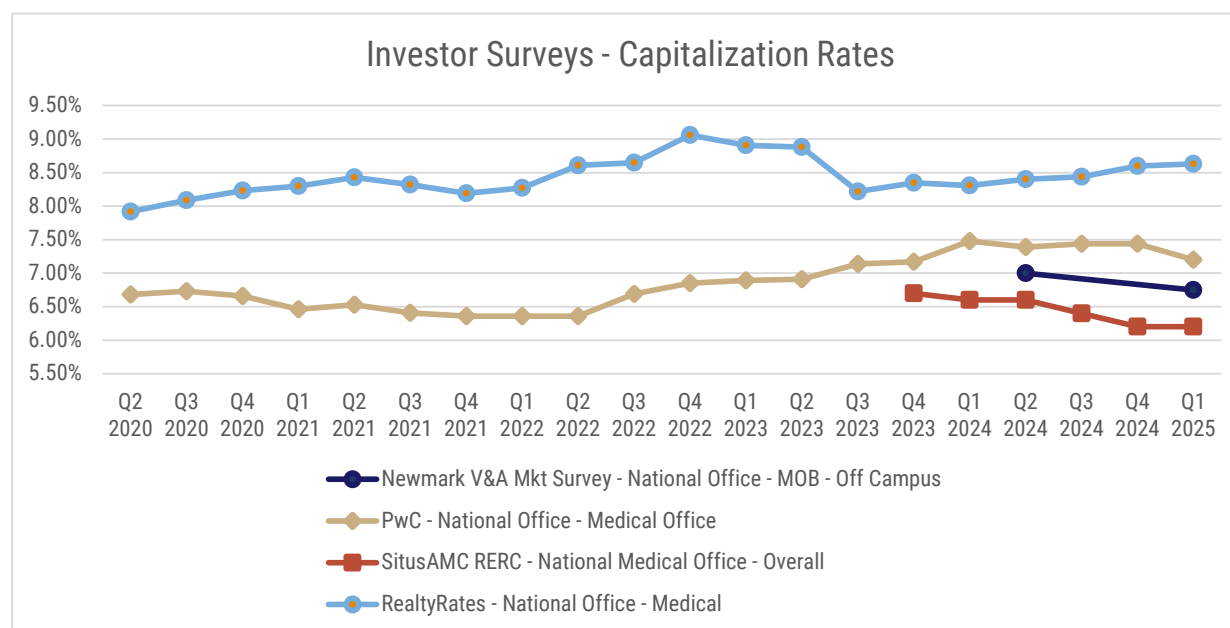
- Based on this information, a capitalization rate within a range of 7.00% to 7.50% could be expected for the subject.

### Investor Surveys and Trends

#### Investor Surveys - Capitalization Rates

Source	Period	Low	High	Average
Newmark V&A Mkt Survey - National Office - MOB - Off Campus	Q1 2025	N/A	N/A	6.75%
PwC - National Office - Medical Office	Q1 2025	5.50%	10.00%	7.20%
SitusAMC RERC - National Medical Office - Overall	Q1 2025	6.00%	6.50%	6.20%
RealtyRates - National Office - Medical	Q1 2025	6.76%	13.18%	8.63%

Compiled by Newmark



- The most current national survey data indicates that average going-in capitalization rates range from 6.20% to 8.63% and average 7.20%.
- The rate appropriate to the subject is considered to be similar to the average rate in the survey data because the strengths and weaknesses of the subject appear to offset.
- Accordingly, based on the survey data, a capitalization rate within a range of 7.00% to 7.50% could be expected for the subject.

## Market Participants

Market Participant Survey - Capitalization Rates		
Respondent	Cap Rate	Comments
CBRE	6.50% - 7.50%	The length of the lease and credit will play a role in the rate selection.
McAdams & Associates	7.00% - 7.50%	Tight market. Credit of the tenant and any personal guaranty would support a lower-end of the range.
Brown Gibbons Lang & Company	7.00% - 7.50%	Outlying location. Credit of the tenant and knowledge of their coverage ratio would be helpful.
Subject Indication	7.00% - 7.50%	

*Compiled by Newmark*

- Market participants generally viewed the subject property to be of lower investor demand due to the outlying location but a long-term lease with personal guaranty and knowledge of the tenant's coverage ratio would influence the buyer's demand.
- Based on these responses, a capitalization rate within a range of 7.00% to 7.50% is indicated for the subject.

## Band of Investment

Band of Investment					
Mortgage/Equity Assumptions					
Loan to Value Ratio	65%				
Interest Rate	7.00%				
Amortization (Years)	30				
Mortgage Constant	0.0798				
Equity Ratio	35%				
Equity Dividend Rate	8.00%				
Weighted Average Of Mortgage/Equity Requirements					
Mortgage Requirement	65%	x	7.98%	=	5.19%
Equity Requirement	35%	x	8.00%	=	2.80%
Indicated Capitalization Rate (Rounded)					8.00%

*Compiled by Newmark*

- The mortgage/equity assumptions were based on the most favorable rates in the recent RealtyRates.com Investor Survey for retail properties.

### Capitalization Rate Conclusion

Investors expect, and the data is showing, that capitalization rates are increasing. We have also heard of specific transaction examples including repricing of deals and simply offers at lower levels owing to the increased cost of capital – not to mention other economic factors such as recession, supply chain, COVID-19, and global crises, etc.

It is important to acknowledge that there is a dearth of transactions in the marketplace making it more difficult to determine the impact on cap rates. Brokers and capital markets professionals are reporting significant disconnects between buyers and sellers – as much as 30% - and this is reducing the transaction activity. In addition, various investor surveys and aggregate reporting data may not necessarily reflect investor attitudes today since data could be 2-3 months old or more. We have given significant reliance to our interviews with market participants. We have also taken the following into consideration in the selection of our concluded capitalization rate.

- Investors have become selective, cautious, and tentative as cost of capital has increased.
- Volatility in the market has led to the disconnect between buyers and sellers thus reducing transaction volume – both in number of sales and overall price volume.
- Although the number of transactions has dropped precipitously, market participants are saying that price discovery is demonstrating that values are trending lower.
- Negative leverage is present in the market and this cannot be sustained which is putting downward pressure on values.
- Brokers report re-trades are occurring at lower pricing and higher indicated capitalization rates.

### Key Value Considerations

#### Strengths

1. Well located in the neighborhood with adequate access and proximity to local hospitals
2. New 10-year lease with scheduled annual increases, backed by a personal guarantor
3. Well-maintained asset for its age and physically adequate for ambulatory surgery center use

#### Risk Factors

1. Located in an outlying east Texas location
2. Larger, older single-tenant specialized-use property that could be difficult to backfill
3. Competition from potential newer facilities given land availability



National Trends and Uncertainties

- 1. Newmark Capital Markets assesses that there was a momentum shift in the 4th quarter, leading to both transaction volume and lending volume increasing year-over-year. However, they also note that the notable increase in interest rates since early December complicates matters.
- 2. Real Capital Analytics reported in their end of 2024 Capital Trends publication that “the commercial property markets turned a corner in 2024.” Deal volume climbed in 2024 and price declines are coming to an end overall.
- 3. The uncertainty surrounding the new U.S. administration’s economic policies will be an overhang and the Federal Reserve is expected to pause any additional rate reductions until the effects of these policies are better understood.

The methods via the comparables sales and the market participants were given primary reliance in our capitalization rate conclusion.

Capitalization Rate Conclusion	
Source	Indication
Comparable Health Care Sales Range	6.00% - 7.70%
Investor Surveys	6.20% - 8.63%
Market Participants	6.50% - 7.50%
Band of Investment	8.00%
Concluded Going-In Capitalization Rate	7.25%

*Compiled by Newmark*

Direct Capitalization Summary

Net operating income is divided by the capitalization rate to derive the stabilized value of the subject. Valuation of the subject by direct capitalization is shown in the table immediately following.

Income Capitalization Approach			
Summary of Stabilized Net Operating Income			
Item Description	% of Income	\$ / SF	Total \$
<b>Health Care Income</b>		12,546 SF	
Potential Base Rent		\$30.00	\$376,380
Scheduled Base Rent		\$30.00	\$376,380
Expense Recoveries		\$8.69	\$109,003
Total Tenant Revenue		\$38.69	\$485,383
Potential Gross Income		\$38.69	\$485,383
Vacancy Allowance	0.00%	\$0.00	\$0
Collection Allowance	0.00%	\$0.00	\$0
<b>Effective Gross Income</b>		<b>\$38.69</b>	<b>\$485,383</b>
<b>Operating Expenses</b>		12,546 SF	
Real Estate Taxes		\$4.53	\$56,886
Insurance		\$0.80	\$10,037
Repairs and Maintenance		\$2.00	\$25,092
Management	3.50%	\$1.35	\$16,988
Total Operating Expenses	22.46%	\$8.69	\$109,003
<b>Net Operating Income</b>		<b>\$30.00</b>	<b>\$376,380</b>
<b>Direct Capitalization Method</b>			
Value Indication		\$ / SF	Total \$
Stabilized Net Operating Income		\$30.00	\$376,380
Overall Capitalization Rate			7.25%
As Stabilized Value	Effective Date: 6/5/2025		\$5,191,448
<b>Rounded</b>		<b>\$413.68</b>	<b>\$5,190,000</b>

Valuation Matrix	
OAR	Value
6.75%	\$5,576,000
7.00%	\$5,376,857
<b>7.25%</b>	<b>\$5,191,448</b>
7.50%	\$5,018,400
7.75%	\$4,856,516

<b>As Is</b>		
As Stabilized Value as of Current Date	Effective Date: 6/5/2025	\$5,191,448
Stabilization Discount - Health Care		(\$120,000)
As Is Value	Effective Date: 6/5/2025	\$5,071,448
<b>Rounded</b>		<b>\$404.11</b>
		<b>\$5,070,000</b>

Compiled by Newmark

# Reconciliation of Value

The values indicated by our analyses are as follows:

Market Value Indications	
Market Value Premise As of Date:	As Is June 5, 2025
Cost Approach:	Not Used
Sales Comparison Approach:	\$5,100,000
Income Capitalization Approach:	\$5,070,000
Market Value Conclusion	\$5,070,000

*Compiled by Newmark*

## Cost Approach

The Cost Approach has best applicability for properties with new or nearly new improvements. It is a summation approach in that the underlying land value is added to the depreciated replacement cost for the indicated value. In this case, the cost approach was not utilized due to the age of the improvements which results in significant depreciation thereby reducing the reliability of this approach. More significantly, however, market participants considering properties like the subject do not give consideration to the cost approach.

## Sales Comparison Approach

The Sales Comparison Approach is focused on comparing the subject to sale and other market transactions with the aim to develop an indication of value that is founded on the theory of substitution. Basically, the intention is to determine value through considering the prices of properties which would be a substitute property to the subject. In this case, a selection of reasonably similar sales were obtained and the adjustment process was well founded by reasoning and direct evidence. Although this analysis is considered to be well founded and reliable, the subject property is an income producing property and the sales comparison approach, like the cost approach, is limited in its ability to directly consider the income levels of the subject and the sales. Accordingly, secondary weight is given to the sales comparison approach.

## Income Capitalization Approach

The subject property is a single-tenant health care property. It is distinctly an income producing property and this approach is specifically designed to address the value of such a property. Only direct capitalization was developed in accordance with typical investor analyses. Market rent was

well established by reasonably similar lease data. The property is leased on a long-term net lease basis. Capitalization rates were developed from a number of sources including the sales used in the sales comparison approach. In total, the income capitalization approach is considered to be most applicable to the subject and most reliable. This approach is given greatest weight for that reason.

## FINAL VALUE CONCLUSIONS

### Value Conclusions

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value "As Is"	Leased Fee	6/5/2025	\$5,070,000

*Compiled by Newmark*

### Extraordinary Assumptions and Hypothetical Conditions

An extraordinary assumption is defined in USPAP as an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results.

1. None

A hypothetical condition is defined in USPAP as a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. The value conclusions are based on the following hypothetical conditions that may affect the assignment results.

1. None

*Compiled by Newmark*

## EXPOSURE TIME

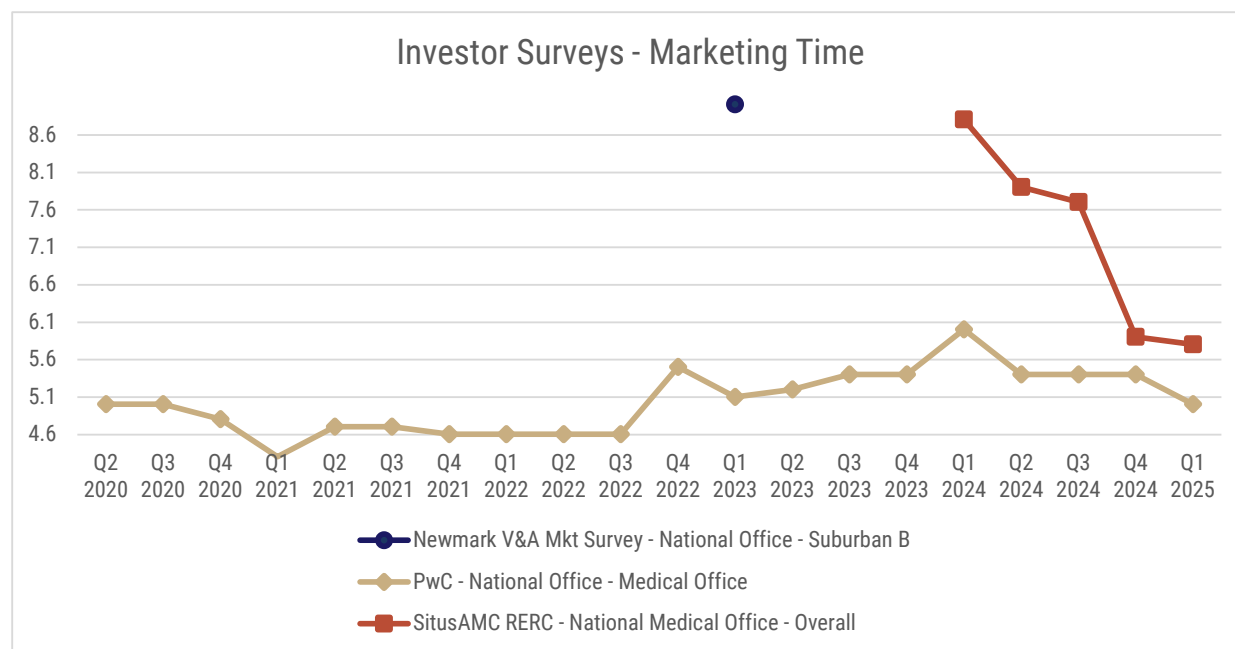
Exposure time is the estimated length of time the subject property would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. It is a retrospective estimate based on an analysis of past events assuming a competitive and open market.

The following is national investor survey data which is one source for the underlying data to this conclusion.

### Investor Surveys - Marketing Times

Source	Period	Low	High	Average
Newmark V&A Mkt Survey - National Office - Suburban B	Q1 2023	N/A	N/A	9.0
PwC - National Office - Medical Office	Q1 2025	1.0	9.0	5.0
SitusAMC RERC - National Medical Office - Overall	Q1 2025	N/A	N/A	5.8

*Compiled by Newmark*



Recent sales transaction data for similar properties, supply and demand characteristics for the local health care market, and the opinions of local market participants were reviewed and analyzed. Based on this data and analysis, it is our opinion that the probable exposure time for the subject at the concluded market value stated previously is 9 months.

## MARKETING TIME

Marketing time is an opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. As no significant changes in market conditions are foreseen in the near term, it is our opinion that a reasonable marketing period for the subject is likely to be the same as the exposure time. Accordingly, we estimate the subject's marketing period at 9 months.

# Assumptions and Limiting Conditions

The Appraisal contained in this Report (herein “Report”) is subject to the following assumptions and limiting conditions:

1. Unless otherwise stated in this report, title to the property which is the subject of this report (herein “Property”) is assumed to be good and marketable and free and clear of all liens and encumbrances and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. No responsibility is assumed for the legal description, zoning, condition of title or any matters which are legal in nature or otherwise require expertise other than that of a professional real estate appraiser. This report shall not constitute a survey of the Property.
2. Unless otherwise stated in this report, it is assumed: that the improvements on the Property are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; that the roof and exterior are in good condition and free from intrusion by the elements; that the Property and improvements conform to all applicable local, state, and federal laws, codes, ordinances and regulations including environmental laws and regulations. No responsibility is assumed for soil or subsoil conditions or engineering or structural matters. The Property is appraised assuming that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report is based, unless otherwise stated. The physical condition of the Property reflected in this report is solely based on a visual inspection as typically conducted by a professional appraiser not someone with engineering expertise. Responsible ownership and competent property management are assumed.
3. Unless otherwise stated in this report, this report did not take into consideration the existence of asbestos, PCB transformers or other toxic, hazardous, or contaminated substances or underground storage tanks, or the cost of encapsulation, removal or remediation thereof. Real estate appraisers are not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater or other potentially hazardous materials and substances may adversely affect the value of the Property. Unless otherwise stated in this report, the opinion of value is predicated on the assumption that there is no such material or substances at, on or in the Property.



4. All statements of fact contained in this report as a basis of the analyses, opinions, and conclusions herein are true and correct to the best of the appraiser's actual knowledge and belief. The appraiser is entitled to and relies upon the accuracy of information and material furnished by the owner of the Property or owner's representatives and on information and data provided by sources upon which members of the appraisal profession typically rely and that are deemed to be reliable by such members. Such information and data obtained from third party sources are assumed to be reliable and have not been independently verified. No warranty is made as to the accuracy of any of such information and data. Any material error in any of the said information or data could have a substantial impact on the conclusions of this Report. The appraiser reserves the right to amend conclusions reported if made aware of any such error.
5. The opinion of value stated in this report is only as of the date of value stated in this report. An appraisal is inherently subjective and the conclusions stated apply only as of said date of value, and no representation is made as to the effect of subsequent events. This report speaks only as of the date hereof.
6. Any projected cash flows included in the analysis are forecasts of estimated future operating characteristics and are predicated on the information and assumptions contained within this report. Any projections of income, expenses and economic conditions utilized in this report are not predictions of the future. Rather, they are estimates of market expectations of future income and expenses. The achievement of any financial projections will be affected by fluctuating economic conditions and is dependent upon other future occurrences that cannot be assured. Actual results may vary from the projections considered herein. There is no warranty or assurances that these forecasts will occur. Projections may be affected by circumstances beyond anyone's knowledge or control. Any income and expense estimates contained in this report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
7. The analyses contained in this report may necessarily incorporate numerous estimates and assumptions regarding Property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by the analysis will vary from estimates, and the variations may be material.
8. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraphs, several events may occur that could substantially alter the outcome of the estimates such as, but not limited to changes in the economy, interest rates, capitalization rates, behavior of consumers, investors and

lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. In making prospective estimates and forecasts, it is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

9. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. This report shall be considered only in its entirety. No part of this report shall be utilized separately or out of context.
10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the Firm. Possession of this report, or a copy hereof, does not carry with it the right of publication.
11. Client and any other Intended User identified herein should consider this report and the opinion of value contained herein as only one factor together with its own independent considerations and underwriting guidelines in making any decision or investment or taking any action regarding the Property. Client agrees that Firm shall not be responsible in any way for any decision of Client or any Intended User related to the Property or for the advice or services provided by any other advisors or contractors. The use of this report and the appraisal contained herein by anyone other than an Intended User identified herein, or for a use other than the Intended Use identified herein, is strictly prohibited. No party other than an Intended User identified herein may rely on this report and the appraisal contained herein.
12. Unless otherwise stated in the agreement to prepare this report, the appraiser shall not be required to participate in or prepare for or attend any judicial, arbitration, or administrative proceedings.
13. The Americans with Disabilities Act (ADA) became effective January 26, 1992. No survey or analysis of the Property has been made in connection with this report to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. No expertise in ADA issues is claimed, and the report renders no opinion regarding the Property's compliance with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
14. Acceptance and/or use of this report constitutes full acceptance of these Assumptions and Limiting Conditions and any others contained in this report, including any Extraordinary

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Assumptions and Hypothetical Conditions, and is subject to the terms and conditions contained in the agreement to prepare this report and full acceptance of any limitation of liability or claims contained therein.

## **Addendum A**

### **Glossary of Terms**

## ADDENDA

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The following definitions are derived from The Dictionary of Real Estate Appraisal, 7th ed. (Chicago: Appraisal Institute, 2022).

- ◆ **Absorption Period:** The actual or expected period required from the time a property, group of properties, or commodity is initially offered for lease, purchase, or use by its eventual users until all portions have been sold or stabilized occupancy has been achieved.
- ◆ **Absorption Rate:** 1) Broadly, the rate at which vacant space in a property or group of properties for sale or lease has been or is expected to be successfully sold or leased over a specified period of time. 2) In subdivision analysis, the rate of sales of lots or units in a subdivision.
- ◆ **Ad Valorem Tax:** A tax levied in proportion to the value of the thing(s) being taxed. Exclusive of exemptions, use-value assessment provisions, and the like, the property tax is an ad valorem tax. (IAAO)
- ◆ **As Is Market Value:** The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Interagency Appraisal and Evaluation Guidelines) Note that the use of the “as is” phrase is specific to appraisal regulations pursuant to FIRREA applying to appraisals prepared for regulated lenders in the United States. The concept of an “as is” value is not included in the Standards of Valuation Practice of the Appraisal Institute, Uniform Standards of Professional Appraisal Practice, or International Valuation Standards.
- ◆ **Assessed Value:** The value of a property according to the tax rolls in ad valorem taxation; may be higher or lower than market value, or based on an assessment ratio that is a percentage of market value.
- ◆ **Cash Equivalency Analysis:** An analytical process in which the sale price of a transaction with atypical financing or financing with unusual conditions or incentives is converted into a price equivalent or consistent with what a cash buyer would pay with all other factors the same.
- ◆ **Cash-Equivalent Price:** The sale price of a property that is equivalent to what a cash buyer would pay.
- ◆ **Contract Rent:** The actual rental income specified in a lease.
- ◆ **Disposition Value:** The most probable price that a specified interest in property should bring under the following conditions: 1) Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market. 2) The property is subjected to market conditions prevailing as of the date of valuation. 3) Both the buyer and seller are acting prudently and knowledgeably. 4) The seller is under compulsion to sell. 5) The buyer is typically motivated. 6) Both parties are acting in what they consider to be their best interests. 7) An adequate marketing effort will be made during the exposure time. 8) Payment will be made in cash in US dollars (or the local currency) or in terms of financial arrangements comparable thereto. 9) 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. This definition can also be modified to provide for valuation with specified financing terms.
- ◆ **Economic Life:** The period over which improvements to real estate contribute to property value.
- ◆ **Effective Gross Income (EGI):** The anticipated income from all operations of the real estate after an allowance is made for vacancy and collection losses and an addition is made for any other income.
- ◆ **Effective Rent:** Total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions; the rent that is effectively paid by a tenant net of financial concessions provided by a landlord.
- ◆ **Excess Land:** Land that is not needed to serve or support the existing use. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately. See also *surplus land*.
- ◆ **Excess Rent:** The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties.

- ◆ **Exposure Time:** 1) The time a property remains on the market. 2) An opinion, based on supporting market data, of the length of time that 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. (USPAP, 2020-2021 ed.)
- ◆ **Extraordinary Assumption:** An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. Comment: Uncertain information might include physical, legal, or economic characteristics of the subject property, or conditions external to the property, such as market conditions or trends, or about the integrity of data used in an analysis. (USPAP, 2020-2021 ed.)
- ◆ **Fee Simple Estate:** Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.
- ◆ **Floor Area Ratio (FAR):** The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.
- ◆ **Frictional Vacancy:** The amount of vacant space needed in a market for its orderly operation. Frictional vacancy allows for move-ins and move-outs.
- ◆ **Full Service (Gross) Lease:** See *gross lease*.
- ◆ **General Vacancy:** A method of calculating any remaining vacancy and collection loss considerations when using discounted cash flow (DCF) analysis, where turnover vacancy has been used as part of the income estimate. The combined effects of turnover vacancy and general vacancy relate to total vacancy and collection loss.
- ◆ **Going-Concern Premise:** One of the premises under which the total assets of a business can be valued; the assumption that a company is expected to continue operating well into the future (usually indefinitely).
- ◆ **Going-Concern Value:** An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the market value of the going concern or market value of the total assets of the business. See also *Market Value of the Going Concern* and *Market Value of the Total Assets of the Business (MVTAB)*.
- ◆ **Going-In Capitalization Rate ( $R_o$ ):** The overall capitalization rate obtained by dividing a property's net operating income for the first year after purchase by the present value of the property.
- ◆ **Gross Building Area (GBA):** 1) Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved. 2) Gross leasable area plus all common areas. 3) For residential space, the total area of all floor levels measured from the exterior of the walls and including the superstructure and substructure basement; typically does not include garage space.
- ◆ **Gross Lease:** A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called full-service lease.
- ◆ **Hypothetical Condition:** 1) A condition that is presumed to be true when it is known to be false. (Appraisal Institute: The Standards of Valuation Practice [SVP]) 2) A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2020-2021 ed.)
- ◆ **Intended Use:** 1) The valuer's intent as to how the report will be used. (SVP) 2) The use(s) of an appraiser's reported appraisal or appraisal review assignment results, as identified by the appraiser based on communication with the client at the time of the assignment. (USPAP, 2020-2021 ed.)



- ◆ **Intended Users:** 1) The party or parties the valuer intends will use the report. (SVP) 2) The client and any other party as identified, by name or type, as users of the appraisal or appraisal review report by the appraiser, based on communication with the client at the time of the assignment. (USPAP, 2020-2021 ed.)
- ◆ **Investment Value:** 1) The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. 2) The value of an asset to the owner or a prospective owner given individual investment or operational objectives (may also be known as worth). (International Valuation Standards [IVS])
- ◆ **Land-to-Building Ratio:** The proportion of land area to gross building area; one of the factors determining comparability of properties. See also *floor area ratio*.
- ◆ **Lease:** A contract in which the rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.
- ◆ **Leased Fee Interest:** The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.
- ◆ **Leasehold Estate:** The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.
- ◆ **Lessee:** One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement.
- ◆ **Lessor:** One who conveys the rights of occupancy and use to others under a lease agreement.
- ◆ **Liquidation Value:** The most probable price that a specified interest in property should bring under the following conditions: 1) Consummation of a sale within a short time period. 2) The property is subjected to market conditions prevailing as of the date of valuation. 3) Both the buyer and seller are acting prudently and knowledgeably. 4) The seller is under extreme compulsion to sell. 5) The buyer is typically motivated. 6) Both parties are acting in what they consider to be their best interests. 7) A normal marketing effort is not possible due to the brief exposure time. 8) Payment will be made in cash in US dollars (or the local currency) or in terms of financial arrangements comparable thereto. 9) 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. This definition can also be modified to provide for valuation with specified financing terms.
- ◆ **Market Rent:** The most probable rent that a property should bring in a competitive and open market under all conditions requisite to a fair lease transaction, the lessee and lessor each acting prudently and knowledgeably, and assuming the rent is not affected by undue stimulus. Implicit in this definition is the execution of a lease as of a specified date under conditions whereby • Lessee and lessor are typically motivated; • Both parties are well informed or well advised, and acting in what they consider their best interests; • Payment is made in terms of cash or in terms of financial arrangements comparable thereto; and • The rent reflects specified terms and conditions typically found in that market, such as permitted uses, use restrictions, expense obligations, duration, concessions, rental adjustments and revaluations, renewal and purchase options, frequency of payments (annual, monthly, etc.), and tenant improvements (TIs).
- ◆ **Market Value:** A type of value that is the major focus of most real property appraisal assignments. Both economic and legal definitions of market value have been developed and refined.<sup>1</sup>
- ◆ **Market Value of the Going Concern:** The market value of an established and operating business including the real property, personal property, financial assets, and the intangible assets of the business.
- ◆ **Market Value of the Total Assets of the Business (MVTAB):** The market value of all of the tangible and intangible assets of a business as if sold in aggregate as a going concern.
- ◆ **Modified Gross Lease:** A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross

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<sup>1</sup> The actual definition of value used for this appraisal is contained within the body of the report.

leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a double net lease, net net lease, partial net lease, or semi-gross lease. See also *net lease*.

- ◆ **Net Lease:** A lease in which the landlord passes on all expenses to the tenant. See also *gross lease*; *modified gross lease*.
- ◆ **Net Net Net Lease:** An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management; also called *NNN lease*, *triple net lease*, or *fully net lease*.
- ◆ **Net Operating Income (NOI or I<sub>o</sub>):** The actual or anticipated net income that remains after all operating expenses are deducted from effective gross income but before mortgage debt service and book depreciation are deducted. Note: This definition mirrors the convention used in corporate finance and business valuation for EBITDA (earnings before interest, taxes, depreciation, and amortization).
- ◆ **Occupancy Rate:** 1) The relationship or ratio between the potential income from the currently rented units in a property and the income that would be received if all the units were occupied. 2) The ratio of occupied space to total rentable space in a building.
- ◆ **Operating Expenses:** The periodic expenditures necessary to maintain the real estate and continue production of the effective gross income, assuming prudent and competition management.
- ◆ **Overage Rent:** The percentage rent paid over and above the guaranteed minimum rent or base rent; calculated as a percentage of sales in excess of a specified breakpoint sales volume.
- ◆ **Percentage Rent:** Rental income received in accordance with the terms of a percentage lease; typically derived from retail store and restaurant tenants and based on a certain percentage of their gross sales.
- ◆ **Prospective Opinion of Value:** A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.
- ◆ **Rentable Area:** For office or retail buildings, the tenant's pro rata portion of the entire office floor, excluding elements of the building that penetrate through the floor to the areas below. The rentable area of a floor is computed by measuring to the inside finished surface of the dominant portion of the permanent building walls, excluding any major vertical penetrations of the floor. Alternatively, the amount of space on which the rent is based; calculated according to local practice.
- ◆ **Retrospective Value Opinion:** A value opinion effective as of a specified historical date. The term retrospective does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion."
- ◆ **Shell Rent:** The typical rent paid for retail, office, or industrial tenant space based on minimal "shell" interior finishes (called vanilla finish or white wall finish in some areas). Usually the landlord delivers the main building shell space or some minimum level of interior build-out, and the tenant completes the interior finish, which can include wall, ceiling, and floor finishes, mechanical systems, interior electricity, and plumbing. Typically these are long-term leases with tenants paying all or most property expenses.
- ◆ **Surplus Land:** Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. See also *excess land*.
- ◆ **Turnover Vacancy:** A method of calculating vacancy allowance that is estimated or considered as part of the potential income estimate when using discounted cash flow (DCF) analysis. As units or suites turn over and are available for re-leasing, the periodic vacancy time frame (vacancy window) to release the space is considered.

- ◆ **Usable Area:** 1) For office buildings, the actual occupiable area of a floor or an office space; computed by measuring from the finished surface of the office side of corridor and other permanent walls, to the center of partitions that separate the office from adjoining usable areas, and to the inside finished surface of the dominant portion of the permanent outer building walls. Sometimes called net building area or net floor area. See also floor area. 2) The area that is actually used by the tenants measured from the inside of the exterior walls to the inside of walls separating the space from hallways and common areas.
- ◆ **Usable Site Area:** The area of a site that can legally and physically accommodate buildings or significant site improvements. The usable site area equals the total site area less certain obstructions, such as flood hazard areas, required natural buffers, cemeteries, archeologically restricted areas, ecologically restricted areas, areas within certain restrictive easements, and other obstructions. The net site area or usable site area should be more precisely defined in each appraisal because the significance of improvements or the obstruction depends on the specific assignment.
- ◆ **Use Value:** The value of a property based on a specific use, which may or may not be the property's highest and best use. If the specified use is the property's highest and best use, use value will be equivalent to market value. If the specified use is not the property's highest and best use, use value will be equivalent to the property's market value based on the hypothetical condition that the only possible use is the specified use.
- ◆ **Value In Use:** 1. The amount determined by discounting the future cash flows (including the ultimate proceeds of disposal) expected to be derived from the use of an asset at an appropriate rate that allows for the risk of the activities concerned. (FASB Accounting Standards Codification, Master Glossary) 2. Formerly used in valuation practice as a synonym for contributory value or use value. See also *use value*.

## **Addendum B**

### **Engagement Letter**



American National Bank & Trust  
2732 Midwestern Pkwy  
Wichita Falls, Texas 76308  
817-505-2144

**COMMERCIAL APPRAISAL**  
**BRANCH: 10**

**File Information**

File ID: 250523001  
Loan Number: TBD

Due Date: 6/11/2025  
Priority: Normal

**Appraiser Information**

Loan Type: Asset Valuation  
Form:  
Appraisal Fee: \$3000.00

Appraiser: Tibbit, Paul

**Branch Information**

Branch: Dallas LPO

Borrower: FOUNDATION SURGERY  
AFFILIATE  
Josh Swiercinsky

Address: 17440 Dallas Pkwy  
Suite 203  
Dallas, TX 75287

Co-Borrower:

**Subject Property**

Address: 3610 North University Drive  
Nacogdoches, TX 75965  
County: Nacogdoches

Intended Use: Asset Valuation / Loan  
Servicing

Property Type: Medical / Dental

Map: [Map Link](#)

Description: Commercial Medical Office

Legal: City of Nacogdoches, Nacogdoches County, LT 5 UNIVERSITY PARK REPLAT LTS 5 & 6.

**Property Contact Information**

Contact Person: Josh Swiercinsky  
Cell Phone: (214) 542-2373  
Contact Email: [joshua@SkyREI.com](mailto:joshua@SkyREI.com)  
Contact Notes:

Work Phone:  
Home Phone:

**Bid Instruction**

Please provide your firm's fee 2- and 3-week delivery.

**Effective Date of Valuation**

	Retrospective	As Is	Prospective at Completion	Prospective at Stabilized Occupancy
Effective Date(s) of Appraisal:	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Property Interest Leased Fee (all or part):	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Property Interest Fee Simple (not leased):	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Property Interest Leasehold (borrower is tenant):	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Property Condition (vacant land/improved):				
If Leased Fee approx % leased (excludes owner):				
If Leased Fee approx no of tenants (excludes owner):				
If Leased Fee approx remaining lease term(s) over 5 years:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If Leased Fee approx remaining lease term(s) under 5 years:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Other information believed germane to the appraisal bid:

## ADDENDA

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**Note:**

This appraisal order is not transferrable to another appraiser. If the appraiser named on this appraisal request is unable to complete this assignment please contact American National Bank and Trust – **Appraisal Department at [appraisals@amnat.com](mailto:appraisals@amnat.com)**.

All appraisers are approved on an individual basis, if this assignment is completed by another appraiser American National Bank and Trust will not be liable for any appraisal related appraisal fee.





**COMMERCIAL APPRAISAL INSTRUCTIONS:**

**INTENDED USE**

The purpose of the appraisal assignment includes one or more of the following: (a) as a basis for evaluation of a loan request or making an investment decision, (b) risk management, and/or (c) for establishing or adjusting book value. American National Bank & Trust may disclose or distribute the appraisal report to third parties including the owner of the Subject Property.

**PRIMARY CLIENT**

The primary Client is American National Bank & Trust, its officers, directors, employees and other parties identified in the RFP. The appraisal must be requested and engaged by an officer from the Appraisal Department of American National Bank & Trust. Payment shall be made directly from American National Bank & Trust to the Appraiser.

**APPRAISAL REPORT CONTENTS**

The appraisal reports prepared for American National Bank & Trust shall be prepared with the following minimum guidelines:

1. **Conformity with Regulatory and Other Standards:** Appraisal shall include a statement from the appraiser that it is compliant with the most recent edition and revisions of the Uniform Standards of Professional Appraisal Practices (USPAP) and the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) under the general auspices of the Federal Deposit Insurance Corporation Improvement Act (FDICIA) and with the U.S. Small Business Association when applicable.
2. **Disclosure of Competency:** Appraisal shall include an affirmative statement that the Appraiser is competent to complete this report in accordance with the competency provision in the USPAP. In the absence of an affirmative statement, the Appraiser must disclose any lack of knowledge and/or experience for this assignment and any necessary steps taken to comply with the competency provision in the USPAP.
3. **Other Consultants:** If Appraiser requires the use of third-party consultants, those individuals shall be satisfactory to the Bank.
4. **Prior Services:** Appraiser shall certify performance or lack thereof of any valuation services for the subject with in the past three (3) years. The nature of such services and client shall be disclosed.
5. **Defined Value:** The value to be estimated is **Market Value**. Thus, Appraisal should use the definition of market value as it appears in CFR 232.2. Definitions of other types of values must be approved by an officer of this institution prior to acceptance of such within the body of the appraisal report. No alternative definitions are acceptable to this institution.
6. **Exposure/Marketing Time and Most Likely Buyer:** Appraisal shall include an estimate of the exposure and marketing time and identify the most likely buyer.
7. **Ownership History:** Appraisal shall describe (parties and amount) any ownership transfers within the past three years and/or the most recent transfer if more than three years ago.
8. **Appraisal Independence:** The certification required by USPAP shall include additional statements that the Appraiser has acted in an independent capacity and the appraisal engagement or compensation is not based on a requested minimum valuation, a specific valuation, or loan approval.
9. **Appraiser Interest:** The certification shall state that Appraiser has no direct or indirect interest in the property or transaction and/or bias with respect to the parties involved.
10. **Inspection Certification:** The certification shall state that Appraiser has personally inspected the Subject as well as the land, improved comparable sales. Reviewers need not have visited the property, but they are guaranteeing the accuracy of the preparer's statements. At a minimum, photographs of the sales are to be included. If a photograph is not available, not applicable, or if the photograph is not original (ie taken from an outside source such as CoStar, MLC, Assessor, etc.), this must be noted.
11. **Signature Requirements:** All contributing appraisers shall sign the transmittal letter and certification. In addition to license information, signature blocks shall include phone numbers and e-mail addresses.
12. **Approaches to Value:** Unless specifically excluded in the RFP scope, Appraiser shall consider the Cost, Sales Comparison, and Income Approaches to value. An approach may be omitted if in Appraisers judgment, it is not relevant and the reasons for such omission are clearly and reasonably set forth.
13. **Leased Fee and Fee Simple Interest:** For income property, when estimating a Leased Fee Interest, if it is determined that positive or negative leasehold exists, a Fee Simple Value will also be required. Conversely, when estimating a Fee Simple Interest for income property, please include an analysis comparing market rent to contractual rent and note any significant differences.
14. **Improvements located in a Flood Zone:** For properties with improvements determined to be located in a **Special Flood Hazard Area** either by investigation conducted by the Bank or the appraiser, the actual cash value of the improvements must be included in the report. Actual cash value is defined as replacement cost less depreciation.
15. **Personal Property / Going Concern Value / Non-Realty Items:** If applicable, the value attributable to any personal property, trade fixtures, or non-realty items shall be separately estimated and segregated from the market value of the real property interest.
16. **Insufficiency of Market Data:** Appraiser may incorporate additional data and analyses within the report to the extent there are limited recent, comparable transactions available to Appraiser to establish a current value for the subject property or support necessary adjustments between the subject and comparable property. Such additional analyses or data shall be adequately described as to method, purpose, and conclusions.
17. **Remaining Economic Life:** Appraiser shall render an opinion of the remaining economic life for all improvements. If an insurance value is needed, this will be specified in the scope of work.
18. **Historical Economic Performance:** If applicable and to the extent available, the Appraisal shall include current rent rolls and a minimum of two years of actual income and expense history for the subject property. The appraisal shall also include comparable expense data from reliable industry sources and/or specific expense data from comparable properties as deemed comparable by the appraiser.
19. **Engagement Letter:** Appraisal Report must include a copy of the engagement letter. The appraisal report shall be signed by the individual

## ADDENDA

appraiser to whom this engagement letter is addressed as well as other contributing appraisers.

20. [appraisals@amnat.com](mailto:appraisals@amnat.com) and those specifically designated in the engagement letter.

21. **License Information:** Appraisal shall include a copy of the current license for all appraisers that have contributed to the report. Appraisal shall include a certification made by all contributing Appraisers that their licenses are in good standing, and they have not been reprimanded or sanctioned by the licensing or regulatory authorities and are not currently involved in any process that may result in sanctions or reprimands.

**Small Business Administration:** If the loan type on the RFP states SBA Loan, please address the appraisal report to American National Bank & Trust, U.S. Small Business Administration and Texas Capital Corporation. Should you have any concerns, please contact the appraisal department at [appraisals@amnat.com](mailto:appraisals@amnat.com).

### **SERVICE LEVEL REQUIREMENTS**

Appraiser acknowledges the assignment was awarded on the basis of fee and due date and performance standards listed below:

1. Appraiser shall accept the engagement within **1 business day** of receiving the ValuTrac assignment notice. Such acceptance is to be made by choosing the Accept option in ValuTrac. The Appraiser and Bank acknowledge the electronic engagement has the same force and effect as a signature document.
2. Appraiser shall schedule the property inspection within **2 business days** from the date the engagement letter is issued.
3. Appraiser shall notify the Bank within **three (3) business days** from the Acceptance Date if any applicable or pertinent information required for the assignment is not available. **Appraisers notice shall be made by sending a Note through the ValuTrac file or [appraisals@amnat.com](mailto:appraisals@amnat.com)**
4. Appraiser is obligated to advise the Bank immediately if they anticipate not meeting the delivery / performance times set forth above. Appraisers notice shall be made by **sending a Note through** the ValuTrac file or [appraisals@amnat.com](mailto:appraisals@amnat.com) and shall specifically indicate the reason for and length of the delay. Unless otherwise agreed to and an extension of the due date is granted, American National Bank & Trust reserves the right to assess late fees at the rate of 5% of the fee per day in the event appraiser fails to meet the Delivery / Performance Dates listed above.
5. The appraisal report is subject review by American National Bank & Trust and/or a third-party review appraiser certified by the State of Texas. The appraiser must be prepared to discuss his/her analysis conclusions and provide additional written support, clarification and/or corrections within 24 hours. Any subsequent drafts of the appraisal issued prior to the final edition shall have the Draft # updated in the file name.

### **Appraisal Payment Policy**

American National Bank and Trust will only be financially responsible for appraisal assignments it directly engaged.

### **Privacy Compliance**

Appraiser is required to comply with the privacy regulations and information guidelines issued pursuant to Title V of the Gramm, Leach, Bliley Act. By accepting this appraisal order you agree that the confidential information contained in this order is for the expressed purpose of completing the requested appraisal assignment and subsequent disclosure or distribution of the confidential information in this order and in the appraisal is strictly prohibited.

The completed appraisal is property of the client and in no way are you authorized to complete a new assignment or update this assignment for another client without written authorization from the above-mentioned client.

If you need assistance, please contact the Appraisal Department by **sending a Note through** the ValuTrac file or [appraisals@amnat.com](mailto:appraisals@amnat.com).

## **Addendum C**

### **Legal Description**

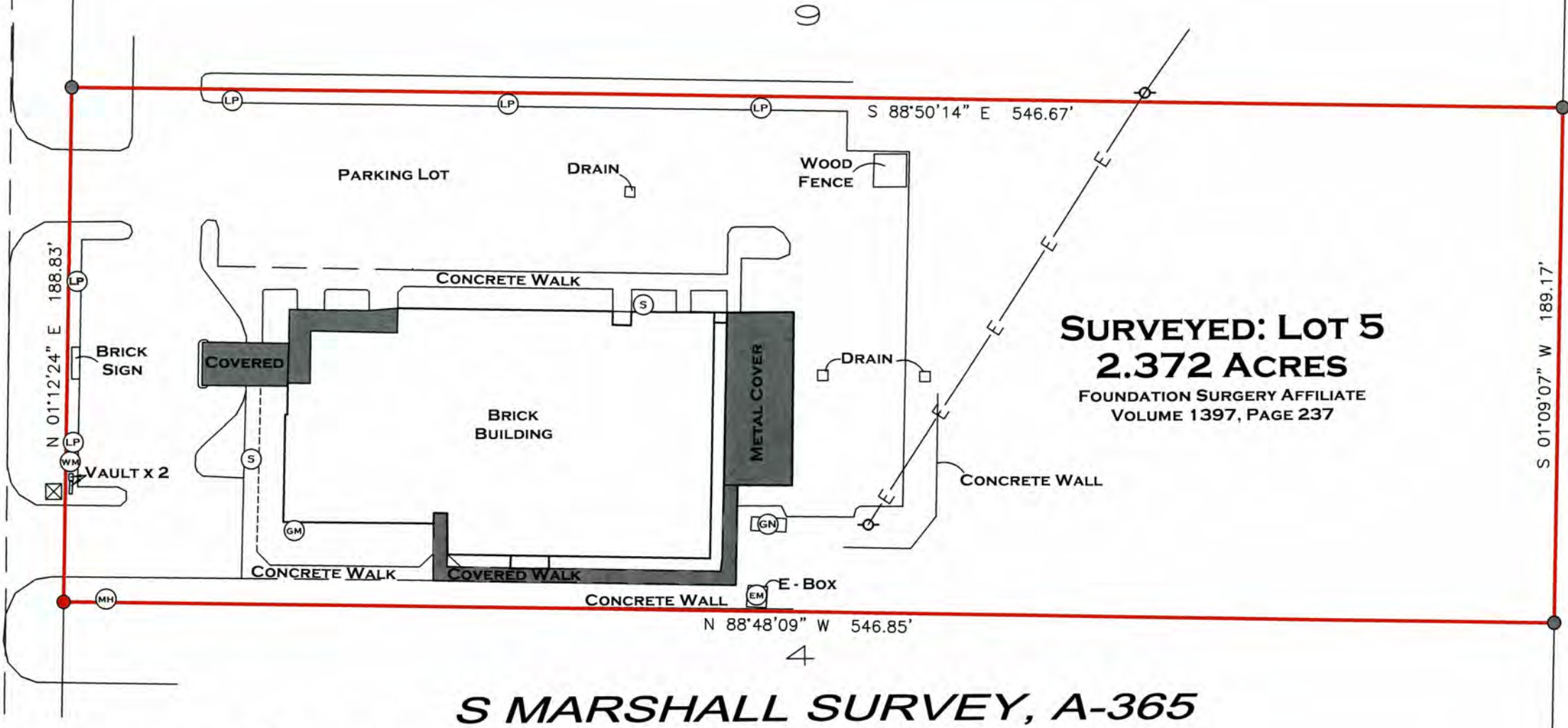


NACOGDOCHES COUNTY, TX

Lot 5 of the RePlat of Lots 5 and 6 University Park Subdivision,  
on the Samuel Marshall Survey, A-385, City of Nacogdoches,  
Nacogdoches County, Texas as shown in Volume 7, Page 25 of  
the Plat Records of Nacogdoches County, Texas.



University Drive



NOTE: BEARINGS ARE BASED ON THE TEXAS STATE PLANE COORDINATE SYSTEM, TEXAS NORTH CENTRAL ZONE 4202, N.A.D. 1983.

I, CASEY JORDAN, DO HEREBY STATE THAT THIS PLAT REPRESENTS AN ON THE GROUND SURVEY MADE UNDER MY DIRECT SUPERVISION ON NOVEMBER, 2024.



REPUBLIC TITLE OF TEXAS, INC.  
GF No. 1013 - 403939 - RTT  
SCHEDULE B ITEMS:

10C. NO APPARENT ENCROACHMENTS OR PROTRUSIONS THAT WERE FOUND TO ADVERSELY AFFECT THIS PROPERTY ARE AS SHOWN.  
10G. ALL VISIBLE AND APPARENT EASEMENTS ARE SHOWN.

REGISTERED PROFESSIONAL LAND SURVEYOR No. 6789



10819 US HWY 69 N  
TYLER, TX 75706  
903-534-9000

MANAGER: CHJ CREW CHIEF: CP  
ADDRESS: 3610 N. UNIVERSITY DRIVE  
CITY/COUNTY: NACOGDOCHES / NACOGDOCHES  
SURVEY/ABSTRACT NO.: A-365  
SUBDIVISION: UNIVERSITY PARK SUB.  
LOT/BLOCK NO.: LOT 5  
CLIENT: JESSICA DAVIS

PREPARED BY: L.N.F ON NOV. 7TH, 2024

JOB No. 24-1018

50 0 50

SCALE: 1" = 50'

☼ = COTTON SPINDLE FOUND/SET

● = 1/2" IRON ROD FOUND/SET

FENCE — X — X —

OVERHEAD ELECTRIC LINE — E —

WM = WATER METER ☒ = IRRIGATION VALVE

⊖ = POWER POLE ☒ = WATER VALVE

(MH) = MANHOLE

(GM) = GAS METER

(EM) = ELECTRIC METER

(T) = TELE. PEDESTAL

(GN) = GENERATOR

(LP) = LIGHT POLE

(S) = SEPTIC LID/EQUIPMENT

(PROP) = PROPANE TANK

⊗ = AIR CONDITIONER

○ = POINT FOR CORNER

# Nacogdoches CAD Property Search

## Property Details

Account		
Property ID:	52367	Geographic ID: 18-612-5400-005000
Type:	R	Zoning: CITY OF NAC
Condo:		
Location		
Situs Address:	3610 N UNIVERSITY DR NACOGDOCHES, TX	
Map ID:	54	
Legal Description:	LT 5 UNIVERSITY PARK REPLAT LTS 5 & 6	
Abstract/Subdivision:	07/025	
Owner ⓘ		
Owner ID:	106747	
Name:	NACOGDOCHES ASC TEXAS LLC	
Agent:		
Mailing Address:	PO BOX 0561 ROCKWALL, TX 75087-0561	
% Ownership:	100.0%	
Exemptions:	For privacy reasons not all exemptions are shown online.	

## Property Values

<b>Improvement Homesite Value:</b>	\$0 (+)
<b>Improvement Non-Homesite Value:</b>	\$1,066,400 (+)
<b>Land Homesite Value:</b>	\$0 (+)
<b>Land Non-Homesite Value:</b>	\$433,600 (+)
<b>Agricultural Market Valuation:</b>	\$0 (+)
<b>Market Value:</b>	\$1,500,000 (=)
<b>Agricultural Value Loss:</b> ⓘ	\$0 (-)
<b>HS Cap Loss:</b> ⓘ	\$0 (-)
<b>Circuit Breaker:</b> ⓘ	\$0 (-)
<b>Appraised Value:</b> ⓘ	\$1,500,000
<b>Ag Use Value:</b>	\$0

Information provided for research purposes only. Legal descriptions and acreage amounts are for Appraisal District use only and should be verified prior to using for legal purpose and or documents. Please contact the Appraisal District to verify all information for accuracy.

Property Taxing Jurisdiction

Entity	Description	Tax Rate	Market Value	Taxable Value	Estimated Tax
01	NACOGDOCHES COUNTY	N/A	\$1,500,000	\$1,500,000	N/A
12	CITY OF NACOGDOCHES	N/A	\$1,500,000	\$1,500,000	N/A
36	NACOGDOCHES ISD	N/A	\$1,500,000	\$1,500,000	N/A
50	NAC CNTY HOSPITAL DIST	N/A	\$1,500,000	\$1,500,000	N/A

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## Property Improvement - Building

**Description:** OUTPATIENT CENTER **Type:** COMMERCIAL **Living Area:** 12545.0 sqft **Value:** \$2,259,130

Type	Description	Class CD	Year Built	SQFT
OPCA	OUTPATIENT CENTER	C	2000	12545

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## Property Land

Description	Acreage	Sqft	Eff Front	Eff Depth	Market Value	Prod. Value
SF22	2.37	103,237.00	0.00	0.00	\$433,600	\$0



## Property Roll Value History

Year	Improvements	Land Market	Ag Valuation	HS Cap Loss	Appraised
2025	\$1,066,400	\$433,600	\$0	\$0	\$1,500,000
2024	\$2,259,130	\$433,600	\$0	\$0	\$2,692,730
2023	\$2,449,360	\$433,600	\$0	\$0	\$2,882,960
2022	\$2,129,840	\$433,600	\$0	\$0	\$2,563,440
2021	\$1,774,870	\$433,600	\$0	\$0	\$2,208,470
2020	\$1,690,300	\$412,950	\$0	\$0	\$2,103,250

## Property Deed History

Deed Date	Type	Description	Grantor	Grantee	Volume	Page	Number
11/26/2024	SWDVL	SPEC W/D W/VEN LIEN	FOUNDATION SURGERY AFFILIATE	NACOGDOCHES ASC TEXAS LLC			2024- 7963
12/3/1999	OT	Owner Transfer	LAURICH L MCLEAN M ENGSTROM P	FOUNDATION SURGERY AFFILIATE	1397	237	SWD
9/19/1997	OT	Owner Transfer		LAURICH L,MCLEAN M,ENGSTROM P	1146	62	

## **Addendum D**

### **Financials and Property Information**

**LEASE AGREEMENT BETWEEN**

**NACOGDOCHES ASC TEXAS LLC**

**AS LANDLORD, AND**

**FOUNDATION SURGERY AFFILIATE OF NACOGDOCHES, LLC**

**AS TENANT**

**DATED March 10, 2025**

**3610 NORTH UNIVERSITY  
NACOGDOCHES, TEXAS 75965**

**BASIC LEASE INFORMATION**

Lease Commencement Date: March 10, 2025

Landlord: NACOGDOCHES ASC TEXAS LLC, a Texas limited liability company

Tenant: FOUNDATION SURGERY AFFILIATE OF NACOGDOCHES LLC, a Texas limited liability company

Premises: That certain space, containing approximately 12,546 rentable square feet, being the building commonly known as 3610 North University, Nacogdoches, Texas 75965 (the "**Building**"), and whose street address is the same. The Premises are outlined on the plan attached to the Lease as Exhibit A and shall include the entirety of the Project (as hereinafter defined). The land on which the Building is located (the "**Land**") is described on Exhibit B. The term "**Project**" shall collectively refer to the Building, the Land and the driveways, parking facilities, loading dock areas, roadways, and any other improvements and easements associated with the Premises or the operation thereof.

Term: 120 full calendar months, plus any partial month from the Commencement Date to the end of the month in which the Commencement Date falls, starting on the Commencement Date and ending at 5:00 p.m. local time on the last day of the 120th full calendar month following the Commencement Date, subject to adjustment and earlier termination as provided in the Lease.

**Rent Commencement Date:** **September 1, 2025.**

Basic Rent: Basic Rent shall be the following amounts for the following periods of time:

Lease Month	Monthly Basic Rent
1 – 12	\$31,365.00
13 – 24	\$32,305.95
25 – 36	\$33,275.13
37 – 48	\$34,273.38
49 – 60	\$35,301.58
61 – 72	\$36,360.63
73 – 84	\$37,451.45
85 – 96	\$38,574.99
97 – 108	\$39,732.24
109 – 120	\$40,924.21

As used herein, the term "**Lease Month**" means each calendar month during the Term (and if the Commencement Date does not occur on the first day of a calendar month, the period from the Commencement Date to the first day of the next calendar month shall be included in the first Lease Month for purposes of determining the duration of the Term and the monthly Basic Rent rate applicable for such partial month).

Additional Rent: Tenant's Proportionate Share of Operating Costs, Taxes and Insurance Costs.

Security Deposit: \$40,000.00 to be paid prior to tenant drawing the tenant improvement allowance and used to reimburse landlords carry expenses.

Rent: Basic Rent, Additional Rent, and all other sums that Tenant may owe to Landlord or otherwise be required to pay under the Lease.

Permitted Use: The operation of a state licensed and Medicare Certified ambulatory surgery center, medical offices, imaging services and related medical purposes. Landlord acknowledges and agrees that Tenant's use of the Premises may be subject to various laws and regulations and require various permits or licenses from different governmental authorities, and Landlord agrees to offer reasonable assistance to Tenant in connection with any such compliance provided Tenant shall be responsible for any costs incurred by Landlord related thereto.

Tenant's Proportionate Share: 100.00%, which is the percentage obtained by dividing (a) the number of rentable square feet in the Premises as stated above by (b) the 12,546 square feet in the Building. Landlord and Tenant

	stipulate that the number of rentable square feet in the Premises and in the Building set forth above is conclusive and shall be binding upon them.	
Initial Liability	\$3,000,000.00.	
Insurance Amount:		
Renewal Option:	See <u>Exhibit G</u> , and Tenant Option to purchase	
Guarantors:	Dr. Carl Jones	
Brokers:	Broker for Landlord:	Broker for Tenant:
	None	American Southwest Realty Group Through Rob Bramer
Tenant's Address:	<u>Prior to Commencement Date:</u>	<u>Following Commencement Date:</u>
	3610 N University Drive	3610 N. University Drive
	Nacogdoches, Texas, 75965	Nacogdoches, Texas 75965
	Attention Kelley Bennett MD	Attention Robert Bramer
	Email: kelly@medplanpartners.com	Email: rob.bramer@robbramer.com
Landlord's Address:	<u>For all Notices:</u>	<u>With a copy to:</u>
	Nacogdoches ASC Texas LLC	Vela Wood Staley Young PC
	3246 Augusta Boulevard	5307 E. Mockingbird Lane, Suite 800
	Rockwall, Texas 75087	Dallas, TX 75206
	Attention: Chase Bryant	Attention: Gregory Smith
	Email: chase@kc.capital	Email: gsmith@velawood.com

The foregoing Basic Lease Information is incorporated into and made a part of the Lease identified above. If any conflict exists between any Basic Lease Information and the Lease, then the Lease shall control.

**LANDLORD:**

**NACOGDOCHES ASC TEXAS LLC**

a Texas limited liability company

By:  3/14/2025

Name: Chase Bryant

Title: Manager

**TENANT:**

**FOUNDATION SURGERY AFFILIATE OF**

**NACOGDOCHES, LLC**

a Texas limited liability company

By:  3/17/2025

Name: Kelley Bennett M.D.

Title: Manager

## LEASE

This Lease Agreement (this "**Lease**") is entered into as of March 10th, 2025, between NACOGDOCHES ASC TEXAS LLC, a Texas limited liability Company ("**Landlord**"), and FOUNDATION SURGERY AFFILIATE OF NACOGDOCHES, LLC, a Texas professional limited liability company ("**Tenant**").

1. **Definitions and Basic Provisions.** The definitions and basic provisions set forth in the Basic Lease Information (the "**Basic Lease Information**") executed by Landlord and Tenant contemporaneously herewith are incorporated herein by reference for all purposes. Additionally, the following terms shall have the following meanings when used in this Lease: "**Affiliate**" means any person or entity which, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the party in question; "**Building's Structure**" means the Building's exterior walls, roof, elevator shafts, footings, foundations, structural portions of load-bearing walls, structural floors and subfloors, and structural columns and beams; "**Building's Systems**" means the Building's HVAC, life-safety, plumbing, electrical, and mechanical systems; "**including**" means including, without limitation; "**Laws**" means all federal, state, and local laws, ordinances, rules and regulations, all court orders, governmental directives, and governmental orders, and all interpretations of the foregoing, and all restrictive covenants affecting this Lease or the Project, and "**Law**" means any of the foregoing; and "**Tenant Party**" means any of the following persons: Tenant; any assignees claiming by, through, or under Tenant; any subtenants claiming by, through, or under Tenant; and any of their respective agents, contractors, employees, licensees, guests and invitees.

2. **Lease Grant.** Subject to the terms of this Lease, Landlord leases to Tenant, and Tenant leases from Landlord, the Premises. Additionally, subject to the terms of this Lease and Landlord's rules and regulations therefor, Tenant and its employees and invitees shall have the right to use any applicable driveways, loading dock areas, roadways, rail tracks and other similar improvements designated by Landlord from time to time as common areas for the common use and enjoyment of the Project. **Tenant will have a one-time first right of refusal on the acquisition of the property during this lease term. Tenant must respond within 7 business days upon notification or first right of refusal is deemed null and void.**

3. **Tender of Possession.** Landlord and Tenant agree that possession of the Premises will be tendered to Tenant in the condition required by this Lease on or about purchase of the real estate (the "**Delivery Date**"). If Landlord is unable to tender possession of the Premises in such condition to Tenant by the Delivery Date, then (a) the validity of this Lease shall not be affected or impaired thereby, (b) Landlord shall not be in default hereunder or be liable for damages therefor, and (c) Tenant shall accept possession of the Premises when Landlord tenders possession thereof to Tenant. By occupying the Premises, Tenant shall be deemed to have accepted the Premises in its now current condition by execution of this Lease. ***Within ten days after request by Landlord,*** Tenant shall execute and deliver to Landlord a letter substantially in the form of **Exhibit E** hereto confirming (1) the Commencement Date and the expiration date of the initial Term, (2) that Tenant has accepted the Premises, and (3) that Landlord has performed all of its obligations with respect to the Premises; however, the failure of the parties to execute such letter shall not defer the Commencement Date or otherwise invalidate this Lease. Occupancy of the Premises by Tenant prior to the Commencement Date shall be subject to all of the provisions of this Lease excepting only those requiring the payment of Basic Rent and Additional Rent.

## 4. **Rent.**

(a) **Payment.** Tenant shall timely pay to Landlord Rent, without notice, demand, deduction or set off (except as otherwise expressly provided herein), by way of electronic funds transfer from Tenant's bank account to an account designated by Landlord. Tenant agrees to execute and deliver either concurrently with the execution of this Lease or within three (3) days following Landlord's request, any documentation required by Landlord or any financial institution to effectuate such electronic funds transfer. Alternatively, with Landlord's written approval, Tenant may pay Rent by good and sufficient check drawn on a national banking association at Landlord's address provided for in this Lease or as otherwise specified by Landlord which shall be accompanied by all applicable state and local sales or use taxes. The obligations of Tenant to pay Basic Rent and other sums to Landlord and the obligations of Landlord under this Lease are independent obligations. Basic Rent, adjusted as herein provided, shall be payable monthly in advance. The first monthly installment of Basic Rent shall be payable contemporaneously with the execution of this Lease; thereafter, Basic Rent shall be payable on the first day of each month beginning on the first day of the second full calendar month of the Term. The monthly Basic Rent for any partial month at the beginning of

the Term shall equal the product of 1/365 of the annual Basic Rent in effect during the partial month and the number of days in the partial month, and shall be due on the Commencement Date. Payments of Basic Rent for any fractional calendar month at the end of the Term shall be similarly prorated. Tenant shall pay Additional Rent at the same time and in the same manner as Basic Rent.

(b) **Operating Costs.**

(1) Tenant shall pay to Landlord Tenant's Proportionate Share of the annual Operating Costs (defined below). Landlord may make a good faith estimate of Tenant's Proportionate Share of Operating Costs to be due by Tenant for any calendar year or part thereof during the Term. During each calendar year or partial calendar year of the Term, Tenant shall pay to Landlord, in advance concurrently with each monthly installment of Basic Rent, an amount equal to the estimated Tenant's Proportionate Share of Operating Costs for such calendar year or part thereof divided by the number of months therein. From time to time, Landlord may estimate and re-estimate the amount of Tenant's Proportionate Share of Operating Costs to be due by Tenant and deliver a copy of the estimate or re-estimate to Tenant. Thereafter, the monthly installments of Tenant's Proportionate Share of Operating Costs payable by Tenant shall be appropriately adjusted in accordance with the estimations so that, by the end of the calendar year in question, Tenant shall have paid all of Tenant's Proportionate Share of Operating Costs as estimated by Landlord. Any amounts paid based on such an estimate shall be subject to adjustment as herein provided when actual Operating Costs are available for each calendar year.

(2) The term "**Operating Costs**" means all expenses and disbursements (subject to the limitations set forth below) that Landlord incurs in connection with the ownership, operation, and maintenance of the Project, determined in accordance with sound accounting principles consistently applied, including the following costs, if and when applicable: (A) wages and salaries of all on-site employees at or below the grade of senior building manager engaged in the operation, maintenance or security of the Project (together with Landlord's reasonable allocation of expenses of off-site employees at or below the grade of senior building manager who perform a portion of their services in connection with the operation, maintenance or security of the Project), including taxes, insurance and benefits relating thereto; (B) all supplies and materials used in the operation, maintenance, repair, replacement, and security of the Project; (C) intentionally deleted; (D) repairs, replacements, and general maintenance of the Project that are the responsibility of Tenant (as described in Section 8(b)) but which are undertaken by Landlord on Tenant's behalf; (E) intentionally deleted; (F) service, maintenance and management contracts with independent or affiliated contractors for the operation, maintenance, management, repair, replacement, and security of the Project; (G) costs of professional services rendered for the general benefit of the Project; (H) environmental insurance or environmental management fees; (I) the cost of any insurance deductibles for insurance required to be maintained by Landlord; and (J) costs for improvements made to the Project including those of a capital nature, as amortized using a commercially reasonable interest rate over the time period reasonably estimated by Landlord to recover the costs thereof taking into consideration any anticipated cost savings, as determined by Landlord using its good faith, commercially reasonable judgment, as well as capital improvements made in order to comply with any Law hereafter promulgated by any governmental authority or any new interpretations of any Law hereafter rendered with respect to any existing Law, as amortized using a commercially reasonable interest rate over the useful economic life of such improvements as determined by Landlord in its reasonable discretion.

Operating Costs shall not include costs for (i) repair, replacements and general maintenance paid by proceeds of insurance or by Tenant or other third parties; (ii) interest, amortization or other payments on loans to Landlord; (iii) depreciation; (iv) leasing commissions; (v) legal expenses for services, other than those that benefit the Project tenants generally (e.g., tax disputes); (vi) Taxes; (vii) Insurance Costs; and (viii) renovating or otherwise improving space for occupants of the Project or vacant space in the Project.

(3) Tenant shall also pay Tenant's Proportionate Share of the Taxes for each year and partial year falling within the Term. Tenant shall pay Tenant's Proportionate Share of Taxes in the



same manner as provided above for Tenant's Proportionate Share of Operating Costs. "**Taxes**" means taxes, assessments, and governmental charges or fees whether federal, state, county or municipal, and whether they be by taxing districts or authorities presently taxing or by others, subsequently created or otherwise, and any other taxes and assessments (including non-governmental assessments for common charges under a restrictive covenant or other private agreement that are not treated as part of Operating Costs) now or hereafter attributable to the Project (or its operation), excluding, however, penalties and interest thereon and federal and state taxes on income (if the present method of taxation changes so that in lieu of or in addition to the whole or any part of any Taxes, there is levied on Landlord a capital tax directly on the rents received therefrom or a franchise tax, assessment, or charge based, in whole or in part, upon such rents for the Project, then all such taxes, assessments, or charges, or the part thereof so based, shall be deemed to be included within the term "**Taxes**" for purposes hereof). Taxes shall include the costs of consultants retained in an effort to lower taxes and all costs incurred in disputing any taxes or in seeking to lower the tax valuation of the Project. For property tax purposes, Tenant waives all rights to protest or appeal the appraised value of the Premises, as well as the Project, and all rights to receive notices of reappraisalment.

(4) By April 1 of each calendar year, or as soon thereafter as practicable, Landlord shall furnish to Tenant a statement of Operating Costs and Taxes for the previous year (the "**Operating Costs and Tax Statement**"). If Tenant's estimated payments of Operating Costs or Taxes under this Section 4(b) for the year covered by the Operating Costs and Tax Statement exceed Tenant's Proportionate Share of such items as indicated in the Operating Costs and Tax Statement, then Landlord shall promptly credit or reimburse Tenant for such excess; likewise, if Tenant's estimated payments of Operating Costs or Taxes under this Section 4(b) for such year are less than Tenant's Proportionate Share of such items as indicated in the Operating Costs and Tax Statement, then Tenant shall promptly pay Landlord such deficiency.

5. **Delinquent Payment; Handling Charges.** All past due payments required of Tenant hereunder shall bear interest from the date due until paid at the lesser of eighteen percent per annum or the maximum lawful rate of interest (such lesser amount is referred to herein as the "**Default Rate**"); additionally, Landlord, in addition to all other rights and remedies available to it, may charge Tenant a fee equal to the greater of (a) \$50.00 or (b) five percent of the delinquent payment to reimburse Landlord for its cost and inconvenience incurred as a consequence of Tenant's delinquency. In no event, however, shall the charges permitted under this Section 5 or elsewhere in this Lease, to the extent they are considered to be interest under applicable Law, exceed the maximum lawful rate of interest. Notwithstanding the foregoing, the late fee referenced above shall not be charged with respect to the first occurrence (but not any subsequent occurrence) during any 12-month period that Tenant fails to make payment when due, until five days after Landlord delivers written notice of such delinquency to Tenant.

6. **Security Deposit.** Contemporaneously with the execution of this Lease, Tenant shall pay to Landlord the Security Deposit, which shall be held by Landlord to secure Tenant's performance of its obligations under this Lease. The Security Deposit is not an advance payment of Rent or a measure or limit of Landlord's damages upon an Event of Default (as defined herein). Landlord may, from time to time following an Event of Default and without prejudice to any other remedy, use all or a part of the Security Deposit to perform any obligation Tenant fails to perform hereunder. Following any such application of the Security Deposit, Tenant shall pay to Landlord on demand the amount so applied in order to restore the Security Deposit to its original amount. Subject to the requirements of, and conditions imposed by, Laws applicable to security deposits under commercial leases, Landlord shall, within the time required by applicable Law, return to Tenant the portion of the Security Deposit remaining after deducting all damages, charges and other amounts permitted by Law. Landlord and Tenant agree that such deductions shall include, without limitation, all damages and losses that Landlord has suffered or that Landlord reasonably estimates that it will suffer as a result of any breach of this Lease by Tenant. The Security Deposit may be commingled with other funds, and no interest shall be paid thereon. If Landlord transfers its interest in the Premises, Landlord may assign the Security Deposit to the transferee and, upon such transfer and the delivery to Tenant of an acknowledgement of the transferee's responsibility for the Security Deposit as provided by Law, Landlord thereafter shall have no further liability for the return of the Security Deposit.

7. **Landlord's Maintenance Obligations; Net Lease.** This Lease is intended to be a completely carefree net lease in favor of Landlord. Landlord shall not be responsible for any costs charges, expenses, or outlays arising from or relating to the Premises or the Project, whether or not within the contemplation of the parties when entering into this Lease unless expressly assumed by Landlord in writing or otherwise set forth in this Lease. Further, and for the avoidance of doubt Landlord shall have no maintenance obligations with respect to the Premises

8. **Improvements; Alterations; Tenant's Maintenance and Repair Obligations.**

(a) **Improvements; Alterations.** Improvements to the Premises shall be installed at Tenant's expense only in accordance with plans and specifications which have been previously submitted to and approved in writing by Landlord, which approval shall be governed by the provisions set forth in this Section 8(a). No alterations or physical additions in or to the Premises may be made without Landlord's prior written consent, which shall not be unreasonably withheld or delayed; however, Landlord may withhold its consent to any alteration or addition that would adversely affect (in the reasonable discretion of Landlord) (1) the Building's Structure or the Building's Systems (including the Building's restrooms or mechanical rooms), (2) the exterior appearance of the Building, (3) the appearance of the Building's common areas, or (4) the provision of services to other Building occupants. Tenant shall not paint or install lighting or decorations, signs, window or door lettering, or advertising media of any type visible from the exterior of the Premises without the prior written consent of Landlord, such consent to not be unreasonably withheld. All alterations, additions, and improvements shall be constructed, maintained, and used by Tenant, at its risk and expense, in accordance with all Laws; Landlord's consent to or approval of any alterations, additions or improvements (or the plans therefor) shall not constitute a representation or warranty by Landlord, nor Landlord's acceptance, that the same comply with sound architectural and/or engineering practices or with all applicable Laws, and Tenant shall be solely responsible for ensuring all such compliance. Landlord agrees to pay the sum of up to two hundred fifty thousand nine hundred and twenty dollars (\$250,920.00: such amount being hereafter the "**Allowance**") for the costs of designing and performing the Tenant Improvements, capital improvements and other work necessary to update the Premises for the Permitted Use (limited to such expenditures as may be performed over a six-month consecutive period during the first eighteen (18) months of the Term). The Allowance shall be paid to Tenant or, at Landlord's option, to the general contractor that performed the Tenant Improvements, within thirty (30) days following receipt by Landlord of (1) receipted bills covering all labor and materials expended and used in performing the Tenant Improvements; (2) a sworn contractor's affidavit from the general contractor and a request to disburse from Tenant containing an approval by Tenant of the work done; (3) full and final waivers of lien; (4) as-built plans of the Tenant's Work; and (5) the certification of Tenant and its architect that Tenant's Work has been installed in a good and workmanlike manner in accordance with the "**Approved Plans**" (as defined in Exhibit D), Notwithstanding anything to the contrary contained in this Lease, the initial "**Tenant Improvements**" (as defined in Exhibit D) shall be at Tenant's sole cost and expense but subject to application of the Allowance.

(b) **Repairs; Maintenance.** Tenant shall maintain the Premises, including all portions of the Project, in a clean, safe, and operable condition, consistent with a first-class facility, and shall not permit or allow to remain any waste or damage to any portion thereof. Additionally, Tenant, at its sole expense, shall repair, replace and maintain in good condition and in accordance with all Laws and the equipment manufacturer's suggested service programs, all portions of the Premises, and all areas, improvements and systems serving the Premises including loading docks, sump pumps, dock wells, dock equipment and loading areas, dock doors, dock seals, overhead doors, "levellers" and similar leveling equipment, plumbing, water, fire sprinkler system, and sewer lines up to points of common connection with city systems, entries, doors, ceilings, windows, interior and exterior walls (including painting), the Building Structure and Building Systems, demising walls, heating, ventilation and air conditioning systems (including any evaporative units), parking areas and driveways, alleys and grounds within the Project. Such repair and replacements include capital expenditures and repairs whose benefit may extend beyond the Term. No later than 14 days prior to the end of the Term, Tenant shall deliver to Landlord a certificate from an engineer reasonably acceptable to Landlord certifying that all such items which Tenant is required to maintain hereunder are then in good repair and condition and have been maintained in accordance with this Section 8. It is anticipated that, although all maintenance, repair, and replacement related to the Project shall be the sole responsibility of Tenant, Landlord may perform such Tenant obligations at Tenant's sole cost. Tenant shall repair or replace, subject to Landlord's direction and supervision, any damage to the Building caused by a Tenant Party. If Tenant fails to make such repairs or replacements within 15 days after the occurrence of such damage, then Landlord may make the same at Tenant's cost. If any such damage occurs outside of the Premises, then Landlord may elect to repair such damage at Tenant's expense, rather than having Tenant repair such damage. The cost of all maintenance, repair or replacement work performed by

Landlord under this Section 8 shall be paid by Tenant to Landlord within 30 days after Landlord has invoiced Tenant therefor. Additionally, the following shall apply to the Building Systems:

(1) Tenant shall be responsible for operating and regulating the Building Systems in accordance with manufacturers' specifications and Landlord's maintenance requirements in order to maintain reasonable and lawful conditions of temperature, humidity, and air quality within the Building;

(2) Any use of the Building Systems not in accordance with the design standards set forth in regards to such Building Systems shall be at the sole risk of Tenant. Without limiting the generality of the foregoing, Tenant shall keep any vents or air returns free and clear of all obstruction and shall replace all air filters at least quarterly. Landlord shall not be responsible for inadequate performance of any of the Building Systems attributable to arrangement or positioning of the same in the Premises, failure to shade windows, or any use of the Building Systems which exceeds the capacities promulgated for such Building Systems;

(3) Tenant shall, enter into a regular maintenance and service contract with a reputable maintenance company approved by Landlord for all Building Systems, and keep such contracts in good standing. Tenant shall provide Landlord with copies of all such contracts as well as any renewals, and the maintenance schedule set forth thereon, as well as documentation of any repairs, maintenance, and service to the Building Systems. Notwithstanding anything to the contrary, Landlord may elect to carry out the operation, regulation, maintenance, repairs, or replacement of all or part of any of the Building Systems. In such event, Tenant shall reimburse Landlord within 30 days of request, for such operation, regulation, maintenance, repairs, or replacement plus a 15% administrative fee, as part of Operating Costs; and

(4) Tenant will comply with practices or procedures that Landlord from time to time introduces to reduce or control utility consumption or carbon emissions. Tenant shall be responsible for any costs arising from any non-compliance by Tenant or Tenant Parties.

(c) **Performance of Work.** All work described in this Section 8 shall be performed only by Landlord or by contractors and subcontractors approved in writing by Landlord. Tenant shall cause all contractors and subcontractors to procure and maintain insurance coverage naming Landlord, Landlord's property management company and Landlord's asset management company as additional insureds against such risks, in such amounts, and with such companies as Landlord may reasonably require. Tenant shall provide Landlord with the identities, mailing addresses and telephone numbers of all persons performing work or supplying materials prior to beginning such construction and Landlord may post on and about the Premises notices of non-responsibility pursuant to applicable Laws. All such work shall be performed in accordance with all Laws and in a good and workmanlike manner. All such work which may affect the Building's Structure or the Building's Systems must be approved by the Building's engineer of record, at Tenant's expense and, at Landlord's election, must be performed by Landlord's usual contractor for such work. All work affecting the roof of the Building must be performed by Landlord's roofing contractor, and no such work will be permitted if it would avoid or reduce the warranty on the roof.

(d) **Mechanic's Liens.** All work performed, materials furnished, or obligations incurred by or at the request of a Tenant Party shall be deemed authorized and ordered by Tenant only, and Tenant shall not permit any mechanic's liens to be filed against the Premises or the Project in connection therewith. Upon completion of any such work, Tenant shall deliver to Landlord final lien waivers from all contractors, subcontractors and materialmen who performed such work. If such a lien is filed, then Tenant shall, within ten days after Landlord has delivered notice of the filing thereof to Tenant (or such earlier time period as may be necessary to prevent the forfeiture of the Premises, the Project or any interest of Landlord therein or the imposition of a civil or criminal fine with respect thereto), either (1) pay the amount of the lien and cause the lien to be released of record, or (2) diligently contest such lien and deliver to Landlord a bond or other security reasonably satisfactory to Landlord. If Tenant fails to timely take either such action, then Landlord may pay the lien claim, and any amounts so paid, including expenses and interest, shall be paid by Tenant to Landlord within ten days after Landlord has invoiced Tenant therefor. Landlord and Tenant acknowledge and agree that their relationship is and shall be solely that of "landlord-tenant" (thereby excluding a relationship of "owner-contractor," "owner-agent" or other similar relationships). Accordingly, all materialmen, contractors, artisans,

mechanics, laborers and any other persons now or hereafter contracting with Tenant, any contractor or subcontractor of Tenant or any other Tenant Party for the furnishing of any labor, services, materials, supplies or equipment with respect to any portion of the Premises, at any time from the date hereof until the end of the Term, are hereby charged with notice that they look exclusively to Tenant to obtain payment for same. Nothing herein shall be deemed a consent by Landlord to any liens being placed upon the Premises, the Project or Landlord's interest therein due to any work performed by or for Tenant or deemed to give any contractor or subcontractor or materialman any right or interest in any funds held by Landlord to reimburse Tenant for any portion of the cost of such work. Tenant shall defend, indemnify and hold harmless Landlord and its agents and representatives from and against all claims, demands, causes of action, suits, judgments, damages and expenses (including attorneys' fees) in any way arising from or relating to the failure by any Tenant Party to pay for any work performed, materials furnished, or obligations incurred by or at the request of a Tenant Party. This indemnity provision shall survive termination or expiration of this Lease.

(e) **Janitorial Services.** Tenant, at its sole expense, shall provide its own janitorial services to the Premises and shall maintain the Premises in a clean and safe condition. Tenant shall store all trash and garbage within the area and in receptacles designated from time to time by Landlord and shall, at its sole expense, arrange for the regular pickup of such trash and garbage at times, and pursuant to reasonable regulations, established by Landlord from time to time. If Tenant fails to provide janitorial services to the Premises or trash removal services in compliance with the foregoing, Landlord, in addition to any other rights and remedies available to it, may provide such services, and Tenant shall pay to Landlord the cost thereof, plus an administrative fee equal to 15% of such cost, within ten days after Landlord delivers to Tenant an invoice therefor.

(f) **Signage.** Tenant shall not, without Landlord's prior written consent (a) make any changes to or paint the office front or exterior of the Premises; or (b) install any exterior lighting, decorations or paintings; or (c) erect or install any signs, banners, window or door lettering, placards, decorations or advertising media of any type which can be viewed from the exterior of the Premises, excepting only dignified professionally prepared displays of customary type. All signs, decorations and advertising media shall conform in all respects to Landlord's "**Sign Criteria**" attached hereto as Exhibit I. All signs shall be kept in good condition and in proper operating order at all times. Landlord reserves the right to designate a type of sign to be installed and paid for by Tenant. Tenant shall follow the guidelines shown in Exhibit I.

(1) Tenant agrees to have erected and/or installed and fully operative on or before the Commencement Date of this Lease all signs in accordance with Landlord's Sign Criteria. Tenant, at its sole cost, shall obtain all necessary sign permits and shall comply with all applicable sign ordinances. Prior to installing any new sign, Tenant shall give Landlord at least three (3) business days' prior written notice, and Landlord must be present at the installation of Tenant's sign. If Tenant fails to strictly comply with the preceding requirement, Landlord may require Tenant to relocate its sign in a position acceptable to Landlord at Tenant's expense and to repair any damage to the Building fascia surface caused by Tenant's unauthorized sign installation. Upon vacation of the Premises, or the removal or alteration of its sign for any reason (including Landlord's required relocation of Tenant sign as provided above), Tenant shall be responsible for the repair, painting, and/or replacement of the Building fascia surface where signs are attached. Should Tenant fail to do so, Landlord shall have the sign removed or relocated and the cost of the removal or relocation plus twelve percent (12%) shall be payable from Tenant to Landlord within ten (10) days of written demand and Landlord shall have the option to collect said charge by forfeiture of such amount out of Tenant's Security Deposit.

(2) Tenant shall pay its prorated cost of electricity if Landlord maintains a pylon sign. Furthermore, Tenant waives any liability on the part of Landlord arising out of Tenant's use of a pylon sign and agrees to hold Landlord harmless from and against any liability arising out of Tenant's use of such sign. Tenant shall have no right to maintain a pylon sign unless expressly provided for in this Lease.

(3) During the period that is six (6) months prior to the end of the Term and at any time Tenant is in default hereunder and such default has remained uncured for at least thirty (30) days, Landlord shall have the right to erect on the Premises signs indicating that the Premises are available for Lease.

9. **Utilities.** Tenant shall pay for all water, gas, electricity, heat, telephone, sewer, sprinkler charges and other utilities and services used at the Premises, together with any taxes, penalties, surcharges, connection charges, maintenance charges, and the like pertaining to Tenant's use of the Premises. Landlord may, at Tenant's expense, separately meter and bill Tenant directly for its use of any such utility service. To the extent any utility service for the Premises is submetered, the meter shall be read by Landlord or Landlord's designee, and Tenant shall pay to Landlord, within 30 days after receipt of an invoice therefor, the cost of such service based on rates charged for such service by the utility company furnishing such service, including all fuel adjustment charges, demand charges and taxes. To the extent that any particular utility is not separately metered or submetered as provided above (e.g., water or sewer charges), Landlord shall, using its good-faith, reasonable judgment, allocate the expenses for such utility among the existing tenants of the Project based upon density, usage, and other factors in Landlord's reasonable judgment. Tenant, at its expense, shall obtain all utility services for the Premises (other than a utility that is submetered or otherwise provided to the Premises by Landlord), including making all applications therefor, obtaining meters and other related equipment, and paying all deposits and connection charges. Landlord shall not be liable for any interruption or failure of utility service to the Premises, and such interruption or failure of utility service shall not be a constructive eviction of Tenant, constitute a breach of any implied warranty, or, except as provided in the next sentence, entitle Tenant to any abatement of Tenant's obligations hereunder. If, however, Tenant is prevented from using the Premises for more than 25 consecutive business days because of the unavailability of any such service and such unavailability was caused by Landlord and restoration of such service is within the reasonable control of Landlord, then Tenant shall, as its exclusive remedy be entitled to a reasonable abatement of Rent for each consecutive day (after such 25-day period) that Tenant is so prevented from using the Premises. Rent shall not abate by reason of the interruption, insufficiency, unavailability or discontinuance of such service if such unavailability or discontinuance was not caused by Landlord and restoration of such service is not within the reasonable control of Landlord.

10. **Use.** Tenant shall continuously occupy and use the Premises only for the Permitted Use and shall comply with all Laws relating to this Lease and/or the use, condition, access to, and occupancy of the Premises and will not commit waste, overload the Building's Structure or the Building's Systems or subject the Premises to use that would damage the Premises. Tenant shall be responsible for compliance with Title III of the Americans With Disabilities Act of 1990, any state laws governing handicapped access or architectural barriers, and all rules, regulations, and guidelines promulgated under such laws, as amended from time to time (the "**Disabilities Acts**") in the Project. The Premises shall not be used for any use which is disreputable, creates extraordinary fire hazards, or results in an increased rate of insurance on the Building or its contents, or for the storage of any Hazardous Materials (except as provided in Section 27 hereto). Outside storage, including storage of trucks or other vehicles, is prohibited without Landlord's prior written consent. If, because of a Tenant Party's acts or because Tenant vacates the Premises, the rate of insurance on the Building or its contents increases, then such acts shall be an Event of Default, Tenant shall pay to Landlord the amount of such increase on demand, and acceptance of such payment shall not waive any of Landlord's other rights. Tenant shall conduct its business and control each other Tenant Party so as not to create any nuisance or unreasonably interfere with other tenants or Landlord in its management of the Building. Subject to twenty-four (24) hours' advance written notice except in the case of emergency, Landlord shall have the right to enter upon the Premises at any reasonable time for the purpose of inspecting the same, or for making repairs to the Premises, or for making repairs, alterations or additions to adjacent premises, or for showing the Premises to prospective purchasers, lessees or lenders; provided Landlord agrees that it shall only show the Premises to prospective lessees during the last nine (9) months of the then-current Term.

11. **Assignment and Subletting.**

(a) **Transfers.** Except as provided in Section 11(h), Tenant shall not, without the prior written consent of Landlord, (1) assign, transfer, or encumber this Lease or any estate or interest herein, whether directly or by operation of law, (2) permit any other entity to become Tenant hereunder by merger, consolidation, or other reorganization, (3) if Tenant is an entity other than a corporation whose stock is publicly traded, permit the transfer of an ownership interest in Tenant so as to result in a change in the current control of Tenant, (4) sublet any portion of the Premises, (5) grant any license, concession, or other right of occupancy of any portion of the Premises, or (6) permit the use of the Premises by any parties other than Tenant (any of the events listed in Section 11(a)(h)(1) through 11(a)(6) being a "**Transfer**").

(b) **Consent Standards.** Landlord shall not unreasonably withhold its consent to any assignment or subletting of the Premises, provided that the proposed transferee (1) is creditworthy, (2) has a good

reputation in the business community, (3) will use the Premises for the Permitted Use and will not use the Premises in any manner that would conflict with any exclusive use agreement or other similar agreement entered into by Landlord with any other tenant of the Building, (4) will not use the Premises, Building or Project in a manner that would materially increase the pedestrian or vehicular traffic to the Premises, Building or Project, (5) is not a governmental entity, or subdivision or agency thereof, (6) is not another occupant of the Building, if applicable, (7) is in compliance with the regulations of the Office of Foreign Asset Control ("**OFAC**") of the Department of the Treasury (including those named on OFAC's Specially Designated Nationals and Blocked Persons List) and any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism), or other governmental action relating thereto; and (8) is not a person or entity with whom Landlord is then, or has been within the six-month period prior to the time Tenant seeks to enter into such assignment or subletting, negotiating to lease space in the Building, or any Affiliate of any such person or entity; otherwise, Landlord may withhold its consent in its sole discretion. Additionally, Landlord may withhold its consent in its sole discretion to any proposed Transfer if any Event of Default by Tenant then exists.

(c) **Request for Consent.** If Tenant requests Landlord's consent to a Transfer, then, at least 15 business days prior to the effective date of the proposed Transfer, Tenant shall provide Landlord with a written description of all terms and conditions of the proposed Transfer, copies of the proposed documentation, and the following information about the proposed transferee: name and address of the proposed transferee and any entities and persons who own, control or direct the proposed transferee; reasonably satisfactory information about its business and business history; its proposed use of the Premises; banking, financial, and other credit information; and general references sufficient to enable Landlord to determine the proposed transferee's creditworthiness and character. Concurrently with Tenant's notice of any request for consent to a Transfer, Tenant shall reimburse Landlord for any reasonable Landlord expenses in reviewing such request, and Tenant shall also reimburse Landlord immediately upon request for its reasonable attorneys' fees incurred in connection with considering any request for consent to a Transfer.

(d) **Conditions to Consent.** If Landlord consents to a proposed Transfer, then the proposed transferee shall deliver to Landlord a written agreement whereby it expressly assumes Tenant's obligations hereunder; however, any transferee of less than all of the space in the Premises shall be liable only for obligations under this Lease that are properly allocable to the space subject to the Transfer for the period of the Transfer. No Transfer shall release Tenant from its obligations under this Lease, but rather Tenant and its transferee shall be jointly and severally liable therefor. Landlord's consent to any Transfer shall not waive Landlord's rights as to any subsequent Transfers. If an Event of Default occurs while the Premises or any part thereof are subject to a Transfer, then Landlord, in addition to its other remedies, may collect directly from such transferee all rents becoming due to Tenant and apply such rents against Rent. Tenant authorizes its transferees to make payments of rent directly to Landlord upon receipt of notice from Landlord to do so following the occurrence of an Event of Default hereunder. Tenant shall pay for the cost of any demising walls or other improvements necessitated by a proposed subletting or assignment.

(e) **Attornment by Subtenants.** Each sublease by Tenant hereunder shall be subject and subordinate to this Lease and to the matters to which this Lease is or shall be subordinate, and each subtenant by entering into a sublease is deemed to have agreed that in the event of termination, re-entry or dispossession by Landlord under this Lease, Landlord may, at its option, take over all of the right, title and interest of Tenant, as sublandlord, under such sublease, and such subtenant shall, at Landlord's option, attorn to Landlord pursuant to the then executory provisions of such sublease, except that Landlord shall not be (1) liable for any previous act or omission of Tenant under such sublease, (2) subject to any counterclaim, offset or defense that such subtenant might have against Tenant, (3) bound by any previous modification of such sublease not approved by Landlord in writing or by any rent or additional rent or advance rent which such subtenant might have paid for more than the current month to Tenant, and all such rent shall remain due and owing, notwithstanding such advance payment, (4) bound by any security or advance rental deposit made by such subtenant which is not delivered or paid over to Landlord and with respect to which such subtenant shall look solely to Tenant for refund or reimbursement, or (5) obligated to perform any work in the subleased space or to prepare it for occupancy, and in connection with such attornment, the subtenant shall execute and deliver to Landlord any instruments Landlord may reasonably request to evidence and confirm such attornment. Each subtenant or licensee of Tenant shall be deemed, automatically upon and as a condition of its occupying or using the Premises or any part thereof, to have agreed to be bound by the terms and conditions set forth in this **Section 11(e)**. The provisions of this **Section 11(e)** shall be self-operative, and no further instrument shall be required to give effect to this provision.

(f) **Cancellation.** Intentionally Deleted.

(g) **Additional Compensation.** Tenant shall pay to Landlord, immediately upon receipt thereof, the excess of (1) all compensation received by Tenant for a Transfer less the actual out-of-pocket costs reasonably incurred by Tenant with unaffiliated third parties (i.e., brokerage commissions and tenant finish work) in connection with such Transfer (such costs shall be amortized on a straight-line basis over the term of the Transfer in question) over (2) the Rent allocable to the portion of the Premises covered thereby.

(h) **Permitted Transfers.** Notwithstanding Section 11(a), Tenant may Transfer all or part of its interest in this Lease or all or part of the Premises (a "**Permitted Transfer**") to the following types of entities (a "**Permitted Transferee**") without the written consent of Landlord:

(1) an Affiliate of Tenant;

(2) any corporation, limited partnership, limited liability partnership, limited liability company or other business entity in which or with which Tenant, or its corporate successors or assigns, is merged or consolidated, in accordance with applicable statutory provisions governing merger and consolidation of business entities, so long as (A) Tenant's obligations hereunder are assumed by the entity surviving such merger or created by such consolidation; and (B) the Tangible Net Worth of the surviving or created entity is not less than the Tangible Net Worth of Tenant as of the date hereof; or

(3) any corporation, limited partnership, limited liability partnership, limited liability company or other business entity acquiring all or substantially all of Tenant's assets if such entity's Tangible Net Worth after such acquisition is not less than the Tangible Net Worth of Tenant as of the date hereof.

Tenant shall promptly notify Landlord of any such Permitted Transfer. Tenant and any Guarantor shall remain liable for the performance of all of the obligations of Tenant hereunder, or if Tenant no longer exists because of a merger, consolidation, or acquisition, the surviving or acquiring entity shall expressly assume in writing the obligations of Tenant hereunder. Additionally, the Permitted Transferee shall comply with all of the terms and conditions of this Lease, including the Permitted Use, and the use of the Premises by the Permitted Transferee may not violate any other agreements affecting the Premises, the Building, Landlord or other tenants of the Building. No later than 30 days after the effective date of any Permitted Transfer, Tenant agrees to furnish Landlord with (A) copies of the instrument effecting any of the foregoing Transfers, (B) evidence of insurance as required under this Lease with respect to the Permitted Transferee, and (C) evidence of compliance with the regulations of OFAC and any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action relating thereto, including the name and address of the Permitted Transferee and any entities and persons who own, control or direct the Permitted Transferee. Prior to the consummation of a Permitted Transfer, Tenant shall deliver to Landlord documentation establishing Tenant's satisfaction of the requirements set forth above applicable to any such Transfer. The occurrence of a Permitted Transfer shall not waive Landlord's rights as to any subsequent Transfers. "**Tangible Net Worth**" means the excess of total assets over total liabilities, in each case as determined in accordance with generally accepted accounting principles consistently applied ("**GAAP**"), excluding, however, from the determination of total assets all assets which would be classified as intangible assets under GAAP including goodwill, licenses, patents, trademarks, trade names, copyrights, and franchises. Any subsequent Transfer by a Permitted Transferee shall be subject to the terms of this Section 11.

## 12. **Insurance; Waivers; Subrogation; Indemnity.**

(a) **Tenant's Insurance.** Effective as of the earlier of (1) the date Tenant enters or occupies the Premises, or (2) the Commencement Date, and continuing throughout the Term, Tenant shall maintain the following insurance policies: (A) commercial general liability insurance in amounts of \$3,000,000 per occurrence and a commercial liability insurance umbrella policy with at least a \$2,000,000 limit or, following the expiration of the initial Term, such other amounts as Landlord may from time to time reasonably require (and, if the use and occupancy of the Premises include any activity or matter that is or may be excluded from coverage under a commercial general



liability policy, Tenant shall obtain such endorsements to the commercial general liability policy or otherwise obtain insurance to insure all liability arising from such activity or in such amounts as Landlord may reasonably require), insuring Tenant, Landlord, and, if requested in writing by Landlord, Landlord's asset management company and Landlord's Mortgagee against all liability for injury to or death of a person or persons or damage to property arising from the use and occupancy of the Premises, (B) insurance covering the full value of all alterations and improvements and betterments in the Premises, naming Landlord and Landlord's Mortgagee (if applicable) as additional loss payees as their interests may appear, (C) insurance covering the full value of all furniture, trade fixtures and personal property (including property of Tenant or others) in the Premises or otherwise placed in the Project by or on behalf of a Tenant Party, (D) contractual liability insurance sufficient to cover Tenant's indemnity obligations hereunder (but only if such contractual liability insurance is not already included in Tenant's commercial general liability insurance policy), (E) worker's compensation insurance, and (F) business interruption insurance in an amount reasonably acceptable to Landlord. The commercial general liability insurance to be maintained by Tenant may have a deductible of no more than \$5,000 per occurrence; the property insurance to be maintained by Tenant may have a deductible of no more than \$10,000 per occurrence; and, all other insurance to be maintained by Tenant shall have no deductible. Tenant's insurance shall provide primary coverage to Landlord when any policy issued to Landlord provides duplicate or similar coverage, and in such circumstance Landlord's policy will be excess over Tenant's policy. Tenant shall furnish to Landlord certificates of such insurance and such other evidence satisfactory to Landlord of the maintenance of all insurance coverages required hereunder at least ten days prior to the earlier of the Commencement Date or the date Tenant enters or occupies the Premises, and at least 15 days prior to each renewal of said insurance, and Tenant shall obtain a written obligation on the part of each insurance company to notify Landlord at least 30 days before cancellation or a material change of any such insurance policies. All such insurance policies shall be in form, and issued by companies with a Best's rating of A+:VII or better, reasonably satisfactory to Landlord. If Tenant fails to comply with the foregoing insurance requirements or to deliver to Landlord the certificates or evidence of coverage required herein, Landlord, in addition to any other remedy available pursuant to this Lease or otherwise, may, but shall not be obligated to, obtain such insurance and Tenant shall pay to Landlord on demand the premium costs thereof, plus an administrative fee of 15% of such cost.

(b) **Landlord's Insurance.** Throughout the Term of this Lease, Landlord shall maintain, as a minimum, the following insurance policies: (1) property insurance for the Building's replacement value (excluding property required to be insured by Tenant), less a commercially-reasonable deductible if Landlord so chooses, and (2) commercial general liability insurance in an amount of not less than \$2,000,000. Landlord may, but is not obligated to, maintain such other insurance and additional coverages as it may deem necessary. The cost of all insurance carried by Landlord with respect to the Project shall be included in Insurance Costs (defined below). The foregoing insurance policies and any other insurance carried by Landlord shall be for the sole benefit of Landlord and under Landlord's sole control, and Tenant shall have no right or claim to any proceeds thereof or any other rights thereunder. Notwithstanding the foregoing, Tenant may, with Landlord's written approval as to form and substance, contract directly for and maintain property insurance for at least the Building's replacement value, in lieu of Landlord's provision of such insurance (and Tenant's reimbursement of Landlord's costs related thereto).

(c) **No Subrogation; Waiver of Property Claims.** Landlord and Tenant each waives any claim it might have against the other for any damage to or theft, destruction, loss, or loss of use of any property, to the extent the same is insured against under any insurance policy of the types described in this Section 12 that covers the Project, the Premises, Landlord's or Tenant's fixtures, personal property, leasehold improvements, or business, or is required to be insured against under the terms hereof, **regardless of whether the negligence of the other party caused such Loss (defined below)**. Additionally, Tenant waives any claim it may have against Landlord for any Loss to the extent such Loss is caused by a terrorist act. Each party shall cause its insurance carrier to endorse all applicable policies waiving the carrier's rights of recovery under subrogation or otherwise against the other party. Notwithstanding any provision in this Lease to the contrary, Landlord, its agents, employees and contractors shall not be liable to Tenant or to any party claiming by, through or under Tenant for (and Tenant hereby releases Landlord and its servants, agents, contractors, employees and invitees from any claim or responsibility for) any damage to or destruction, loss, or loss of use, or theft of any property of any Tenant Party located in or about the Project, caused by casualty, theft, fire, third parties or any other matter or cause, **regardless of whether the negligence of any party caused such loss in whole or in part**. Tenant acknowledges that Landlord shall not carry insurance on, and shall not be responsible for damage to, any property of any Tenant Party located in or about the Project.

(d) **Indemnity.** Subject to Section 12(c), Tenant shall defend, indemnify, and hold harmless Landlord and its representatives and agents from and against all claims, demands, liabilities, causes of action, suits, judgments, damages, and expenses (including reasonable attorneys' fees) arising from any injury to or death of any person or the damage to or theft, destruction, loss or loss of use of, any property or inconvenience (a "**Loss**") occurring **in or on the Project**. **It being agreed that this indemnity is intended to indemnify Landlord and its agents against the consequences of their own negligence or fault, even when Landlord or its agents are jointly, comparatively, contributively, or concurrently negligent with Tenant, and even though any such claim, cause of action or suit is based upon or alleged to be based upon the strict liability of Landlord or its agents; however, such indemnity shall not apply to the sole or gross negligence or willful misconduct of Landlord and its agents.** The indemnities set forth in this Lease shall survive termination or expiration of this Lease and shall not terminate or be waived, diminished or affected in any manner by any abatement or apportionment of Rent under any provision of this Lease. If any proceeding is filed for which indemnity is required hereunder, the indemnifying party agrees, upon request therefor, to defend the indemnified party in such proceeding at its sole cost utilizing counsel satisfactory to the indemnified party.

(e) **Cost of Landlord's Insurance.** Tenant shall pay Tenant's Proportionate Share of the cost of the property (unless contracted for directly by Tenant pursuant to Section 12(b)) and liability insurance carried by Landlord from time to time with respect to the Building (including other improvements and Landlord's personal property used in connection therewith), which may include fire and extended coverage insurance (including extended and broad form coverage risks, mudslide, land subsidence, volcanic eruption, flood, earthquake and rent loss insurance) and comprehensive general public liability insurance and excess liability insurance, in such amounts and containing such terms as Landlord deems necessary or desirable (collectively, "**Insurance Costs**"). During each month of the Term, Tenant shall make a monthly payment to Landlord equal to 1/12th of Tenant's Proportionate Share of Insurance Costs that will be due and payable for that particular year. Each payment of Insurance Costs shall be due and payable at the same time as, and in the same manner as, provided above for Tenant's Proportionate Share of Operating Costs. The initial monthly payment of Insurance Costs is based upon Landlord's good faith estimate of Tenant's Proportionate Share of the estimated Insurance Costs for the remainder of the first calendar year. The monthly payment of Insurance Costs is subject to increase or decrease as determined by Landlord to reflect accurately Tenant's Proportionate Share of estimated Insurance Costs. If, following Landlord's receipt of the bill for the insurance premiums for a calendar year, Landlord determines that Tenant's total payments of Insurance Costs are less than Tenant's Proportionate Share of actual Insurance Costs, Tenant shall pay to Landlord the difference upon demand; if Tenant's total payments of Insurance Costs are more than Tenant's Proportionate Share of actual Insurance Costs, Landlord shall retain such excess and credit it to Tenant's future payments of Insurance Costs (unless such adjustment is at the end of the Term, in which event Landlord shall refund such excess to Tenant).

### 13. **Subordination; Attornment; Notice to Landlord's Mortgagee.**

(a) **Subordination.** This Lease shall be subordinate to any deed of trust, mortgage, or other security instrument (each, a "**Mortgage**"), or any ground lease, master lease, or primary lease (each, a "**Primary Lease**"), that now or hereafter covers all or any part of the Premises (the mortgagee under any such Mortgage, beneficiary under any such deed of trust, or the lessor under any such Primary Lease is referred to herein as a "**Landlord's Mortgagee**"). Any Landlord's Mortgagee may elect, at any time, unilaterally, to make this Lease superior to its Mortgage, Primary Lease, or other interest in the Premises by so notifying Tenant in writing. The provisions of this Section shall be self-operative and no further instrument of subordination shall be required; however, in confirmation of such subordination, Tenant shall execute and return to Landlord (or such other party designated by Landlord) within ten days after written request therefor such documentation, in recordable form if required, as a Landlord's Mortgagee may reasonably request to evidence the subordination of this Lease to such Landlord's Mortgagee's Mortgage or Primary Lease (including a subordination, non-disturbance and attornment agreement) or, if the Landlord's Mortgagee so elects, the subordination of such Landlord's Mortgagee's Mortgage or Primary Lease to this Lease.

(b) **Attornment.** Tenant shall attorn to any party succeeding to Landlord's interest in the Premises, whether by purchase, foreclosure, deed in lieu of foreclosure, power of sale, termination of lease, or otherwise, upon such party's request, and shall execute such agreements confirming such attornment as such party may reasonably request.

(c) **Notice to Landlord's Mortgagee.** Tenant shall not seek to enforce any remedy it may have for any default on the part of Landlord without first giving written notice by certified mail, return receipt requested, specifying the default in reasonable detail, to any Landlord's Mortgagee whose address has been given to Tenant, and affording such Landlord's Mortgagee a reasonable opportunity to perform Landlord's obligations hereunder.

(d) **Landlord's Mortgagee's Protection Provisions.** If Landlord's Mortgagee shall succeed to the interest of Landlord under this Lease, Landlord's Mortgagee shall not be: (1) liable for any act or omission of any prior lessor (including Landlord); (2) bound by any rent or additional rent or advance rent which Tenant might have paid for more than the current month to any prior lessor (including Landlord), and all such rent shall remain due and owing, notwithstanding such advance payment; (3) bound by any security or advance rental deposit made by Tenant which is not delivered or paid over to Landlord's Mortgagee and with respect to which Tenant shall look solely to Landlord for refund or reimbursement; (4) bound by any termination, amendment or modification of this Lease made without Landlord's Mortgagee's consent and written approval, except for those terminations, amendments and modifications permitted to be made by Landlord without Landlord's Mortgagee's consent pursuant to the terms of the loan documents between Landlord and Landlord's Mortgagee; (5) subject to the defenses which Tenant might have against any prior lessor (including Landlord); and (6) subject to the offsets which Tenant might have against any prior lessor (including Landlord) except for those offset rights which (A) are expressly provided in this Lease, (B) relate to periods of time following the acquisition of the Building by Landlord's Mortgagee, and (C) Tenant has provided written notice to Landlord's Mortgagee and provided Landlord's Mortgagee a reasonable opportunity to cure the event giving rise to such offset event. Landlord's Mortgagee shall have no liability or responsibility under or pursuant to the terms of this Lease or otherwise after it ceases to own an interest in the Project. Nothing in this Lease shall be construed to require Landlord's Mortgagee to see to the application of the proceeds of any loan, and Tenant's agreements set forth herein shall not be impaired on account of any modification of the documents evidencing and securing any loan.

14. **Rules and Regulations.** Tenant shall comply with the rules and regulations of the Project which are attached hereto as Exhibit C. Landlord may, from time to time, change such rules and regulations for the safety, care, or cleanliness of the Project and related facilities, provided that such changes are applicable to all tenants of the Project, will not unreasonably interfere with Tenant's use of the Premises and are enforced by Landlord in a non-discriminatory manner. Tenant shall be responsible for the compliance with such rules and regulations by each Tenant Party.

15. **Condemnation.**

(a) **Total Taking.** If the entire Building or Premises are taken by right of eminent domain or conveyed in lieu thereof (a "Taking"), this Lease shall terminate as of the date of the Taking.

(b) **Partial Taking - Tenant's Rights.** If any part of the Building becomes subject to a Taking and such Taking will prevent Tenant from conducting on a permanent basis its business in the Premises in a manner reasonably comparable to that conducted immediately before such Taking, then Tenant may terminate this Lease as of the date of such Taking by giving written notice to Landlord within 30 days after the Taking, and Basic Rent and Additional Rent shall be apportioned as of the date of such Taking. If Tenant does not terminate this Lease, then Rent shall be abated on a reasonable basis as to that portion of the Premises rendered untenable by the Taking.

(c) **Partial Taking - Landlord's Rights.** If any material portion, but less than all, of the Building becomes subject to a Taking, or if Landlord is required to pay any of the proceeds arising from a Taking to a Landlord's Mortgagee, then Landlord may terminate this Lease by delivering written notice thereof to Tenant within 30 days after such Taking, and Basic Rent and Additional Rent shall be apportioned as of the date of such Taking. If Landlord does not so terminate this Lease, then this Lease will continue, but if any portion of the Premises has been taken, Rent shall abate as provided in the last sentence of Section 15(b).

(d) **Temporary Taking.** If all or any portion of the Premises becomes subject to a Taking for a limited period of time, this Lease shall remain in full force and effect and Tenant shall continue to perform all of the terms, conditions and covenants of this Lease, including the payment of Basic Rent and all other amounts required hereunder. If any such temporary Taking terminates prior to the expiration of the Term, Tenant shall restore the Premises as nearly as possible to the condition prior to such temporary Taking, at Tenant's sole cost and expense. Landlord shall be entitled to receive the entire award for any such temporary Taking, except that Tenant shall be entitled to receive the portion of such award which (1) compensates Tenant for its loss of use of the Premises within

the Term and (2) reimburses Tenant for the reasonable out-of-pocket costs actually incurred by Tenant to restore the Premises as required by this Section.

(c) **Award**. If any Taking occurs, then Landlord shall receive the entire award or other compensation for the Land, the Building, and other improvements taken; however, Tenant may separately pursue a claim (to the extent it will not reduce Landlord's award) against the condemnor for the value of Tenant's personal property which Tenant is entitled to remove under this Lease, moving costs, loss of business, and other claims it may have.

16. **Fire or Other Casualty**.

(a) **Repair Estimate**. If the Premises or the Building are damaged by fire or other casualty (a "**Casualty**"), Landlord shall, within 90 days after such Casualty, deliver to Tenant a good faith estimate (the "**Damage Notice**") of the time needed to repair the damage caused by such Casualty.

(b) **Landlord's Rights**. If a Casualty damages the Premises or a material portion of the Building and (1) Landlord estimates that the damage to the Premises cannot be repaired within 365 days, (2) the damage to the Premises exceeds 40% of the replacement cost thereof (excluding foundations and footings), as estimated by Landlord, and such damage occurs during the last two years of the Term, (3) regardless of the extent of damage to the Premises, the damage is not fully covered by Landlord's insurance policies or Landlord makes a good faith determination that restoring the Building would be uneconomical, or (4) Landlord is required to pay any insurance proceeds arising out of the Casualty to a Landlord's Mortgagee, then Landlord may terminate this Lease by giving written notice of its election to terminate within 30 days after the Damage Notice has been delivered to Tenant.

(c) **Repair Obligation**. If neither party elects to terminate this Lease following a Casualty, then Landlord shall, within a reasonable time after such Casualty, begin to repair the Premises and shall proceed with reasonable diligence to restore the Premises to substantially the same condition as they existed immediately before such Casualty; however, Landlord shall not be required to repair or replace any alterations or betterments within the Premises (which shall be promptly and with due diligence repaired and restored by Tenant at Tenant's sole cost and expense) or any furniture, equipment, trade fixtures or personal property of Tenant or others in the Premises or the Building, and Landlord's obligation to repair or restore the Premises shall be limited to the extent of the insurance proceeds actually received by Landlord for the Casualty in question. If this Lease is terminated under the provisions of this **Section 16**, Landlord shall be entitled to the full proceeds of the insurance policies providing coverage for all alterations, improvements and betterments in the Premises (and, if Tenant has failed to maintain insurance on such items as required by this Lease, Tenant shall pay Landlord an amount equal to the proceeds Landlord would have received had Tenant maintained insurance on such items as required by this Lease).

(d) **Abatement of Rent**. If the Premises are damaged by Casualty, Rent for the portion of the Premises rendered untenantable by the damage shall be abated on a reasonable basis taking into account proceeds received by Tenant from any business interruption insurance received by Tenant from the date of damage until the completion of Landlord's repairs (or until the date of termination of this Lease by Landlord or Tenant as provided above, as the case may be), unless a Tenant Party caused such damage, in which case, Tenant shall continue to pay Rent without abatement.

17. **Personal Property Taxes**. Tenant shall be liable for all taxes levied or assessed against personal property, furniture, or fixtures placed by Tenant in the Premises or in or on the Building or Project. If any taxes for which Tenant is liable are levied or assessed against Landlord or Landlord's property and Landlord elects to pay the same, or if the assessed value of Landlord's property is increased by inclusion of such personal property, furniture or fixtures and Landlord elects to pay the taxes based on such increase, then Tenant shall pay to Landlord, within 30 days following written request therefor, the part of such taxes for which Tenant is primarily liable hereunder; however, Landlord shall not pay such amount if Tenant notifies Landlord that it will contest the validity or amount of such taxes before Landlord makes such payment, and thereafter diligently proceeds with such contest in accordance with Law and if the non-payment thereof does not pose a threat of loss or seizure of the Project or interest of Landlord therein or impose any fee or penalty against Landlord.

18. **Events of Default**. Each of the following occurrences shall be an "**Event of Default**":

(a) **Payment Default.** Tenant's failure to pay Rent within five days after Landlord has delivered written notice to Tenant that the same is due; however, an Event of Default shall occur hereunder without any obligation of Landlord to give any notice if Tenant fails to pay Rent when due and, during the 12 month interval preceding such failure, Landlord has given Tenant written notice of failure to pay Rent on one or more occasions;

(b) **Abandonment.** Tenant (1) abandons or vacates the Premises or any substantial portion thereof or (2) fails to continuously operate its business in the Premises;

(c) **Estoppel.** Tenant fails to provide any estoppel certificate after Landlord's written request therefor pursuant to Section 26(e) and such failure shall continue for five days after Landlord's second written notice thereof to Tenant;

(d) **Insurance.** Tenant fails to procure, maintain and deliver to Landlord evidence of the insurance policies and coverages as required under Section 12(a);

(e) **Mechanic's Liens.** Tenant fails to pay and release of record, or diligently contest and bond around, any mechanic's lien filed against the Premises or the Project for any work performed, materials furnished, or obligation incurred by or at the request of Tenant, within the time and in the manner required by Section 8(d);

(f) **Other Defaults.** Tenant's failure to perform, comply with, or observe any other agreement or obligation of Tenant under this Lease and the continuance of such failure for a period of more than 15 days after Landlord has delivered to Tenant written notice thereof; and

(g) **Insolvency.** The filing of a petition by or against Tenant (the term "Tenant" shall include, for the purpose of this Section 18(g), any Guarantor of Tenant's obligations hereunder) (1) in any bankruptcy or other insolvency proceeding; (2) seeking any relief under any state or federal debtor relief law; (3) for the appointment of a liquidator or receiver for all or substantially all of Tenant's property or for Tenant's interest in this Lease; (4) for the reorganization or modification of Tenant's capital structure; or (5) in any assignment for the benefit of creditors proceeding; however, if such a petition is filed against Tenant, then such filing shall not be an Event of Default unless Tenant fails to have the proceedings initiated by such petition dismissed within 90 days after the filing thereof.

19. **Remedies.** Upon any Event of Default, Landlord may, in addition to all other rights and remedies afforded Landlord hereunder or by law or equity, take any one or more of the following actions:

(a) **Termination of Lease.** Terminate this Lease by giving Tenant written notice thereof, in which event Tenant shall pay to Landlord the sum of (1) all Rent accrued hereunder through the date of termination, (2) all amounts due under Section 20(a), and (3) an amount equal to (A) the total Rent that Tenant would have been required to pay for the remainder of the Term discounted to present value at a per annum rate equal to the "Prime Rate" as published on the date this Lease is terminated by *The Wall Street Journal*, Southwest Edition, in its listing of "Money Rates" minus one percent, minus (B) the then present fair rental value of the Premises for such period, similarly discounted;

(b) **Termination of Possession.** Terminate Tenant's right to possess the Premises without terminating this Lease by giving written notice thereof to Tenant, in which event Tenant shall pay to Landlord (1) all Rent and other amounts accrued hereunder to the date of termination of possession, (2) all amounts due from time to time under Section 20(a), and (3) all Rent and other net sums required hereunder to be paid by Tenant during the remainder of the Term, diminished by any net sums thereafter received by Landlord through reletting the Premises during such period, after deducting all costs incurred by Landlord in reletting the Premises. If Landlord elects to proceed under this Section 19(b), Landlord may remove all of Tenant's property from the Premises and store the same in a public warehouse or elsewhere at the cost of, and for the account of, Tenant, without becoming liable for any loss or damage which may be occasioned thereby. Landlord shall use reasonable efforts to relet the Premises on such terms as Landlord in its sole discretion may determine (including a term different from the Term, rental concessions, and alterations to, and improvement of, the Premises); however, Landlord shall not be obligated to relet the Premises before leasing other portions of the Building and Landlord shall not be obligated to accept any prospective tenant proposed by Tenant unless such proposed tenant meets all of Landlord's leasing criteria. Landlord shall not be liable

for, nor shall Tenant's obligations hereunder be diminished because of, Landlord's failure to relet the Premises or to collect rent due for such reletting. Tenant shall not be entitled to the excess of any consideration obtained by reletting over the Rent due hereunder. Reentry by Landlord in the Premises shall not affect Tenant's obligations hereunder for the unexpired Term; rather, Landlord may, from time to time, bring an action against Tenant to collect amounts due by Tenant, without the necessity of Landlord's waiting until the expiration of the Term. Unless Landlord delivers written notice to Tenant expressly stating that it has elected to terminate this Lease, all actions taken by Landlord to dispossess or exclude Tenant from the Premises shall be deemed to be taken under this Section 19(b). If Landlord elects to proceed under this Section 19(b), it may at any time elect to terminate this Lease under Section 19(a);

(c) **Perform Acts on Behalf of Tenant.** Perform any act Tenant is obligated to perform under the terms of this Lease (and enter upon the Premises in connection therewith if necessary) in Tenant's name and on Tenant's behalf, without being liable for any claim for damages therefor, and Tenant shall reimburse Landlord on demand for any expenses which Landlord may incur in thus effecting compliance with Tenant's obligations under this Lease (including, but not limited to, collection costs and legal expenses), plus interest thereon at the Default Rate;

(d) **Suspension of Services.** Suspend any services required to be provided by Landlord hereunder without being liable for any claim for damages therefor; or

(e) **Alteration of Locks.** Additionally, with or without notice, and to the extent permitted by Law, Landlord may alter locks or other security devices at the Premises to deprive Tenant of access thereto, and Landlord shall not be required to provide a new key or right of access to Tenant.

20. **Payment by Tenant; Non-Waiver; Cumulative Remedies.**

(a) **Payment by Tenant.** Upon any Event of Default, Tenant shall pay to Landlord all costs incurred by Landlord (including court costs and reasonable attorneys' fees and expenses) in (1) obtaining possession of the Premises, (2) removing and storing Tenant's or any other occupant's property, (3) repairing, restoring, altering, remodeling, or otherwise putting the Premises into condition acceptable to a new tenant, (4) if Tenant is dispossessed of the Premises and this Lease is not terminated, reletting all or any part of the Premises (including brokerage commissions, cost of tenant finish work, and other costs incidental to such reletting), (5) performing Tenant's obligations which Tenant failed to perform, and (6) enforcing, or advising Landlord of, its rights, remedies, and recourses arising out of the default. To the full extent permitted by law, Landlord and Tenant agree the federal and state courts of the state in which the Premises are located shall have exclusive jurisdiction over any matter relating to or arising from this Lease and the parties' rights and obligations under this Lease.

(b) **No Waiver.** Landlord's acceptance of Rent following an Event of Default shall not waive Landlord's rights regarding such Event of Default. No waiver by Landlord of any violation or breach of any of the terms contained herein shall waive Landlord's rights regarding any future violation of such term. Landlord's acceptance of any partial payment of Rent shall not waive Landlord's rights with regard to the remaining portion of the Rent that is due, regardless of any endorsement or other statement on any instrument delivered in payment of Rent or any writing delivered in connection therewith; accordingly, Landlord's acceptance of a partial payment of Rent shall not constitute an accord and satisfaction of the full amount of the Rent that is due.

(c) **Cumulative Remedies.** Any and all remedies set forth in this Lease: (1) shall be in addition to any and all other remedies Landlord may have at law or in equity, (2) shall be cumulative, and (3) may be pursued successively or concurrently as Landlord may elect. The exercise of any remedy by Landlord shall not be deemed an election of remedies or preclude Landlord from exercising any other remedies in the future. Additionally, Tenant shall defend, indemnify and hold harmless Landlord, Landlord's Mortgagee and their respective representatives and agents from and against all claims, demands, liabilities, causes of action, suits, judgments, damages and expenses (including reasonable attorneys' fees) arising from Tenant's failure to perform its obligations under this Lease.

21. **Landlord's Lien.** In addition to any statutory landlord's lien, now or hereafter enacted, Tenant grants to Landlord, to secure performance of Tenant's obligations hereunder, a security interest in all of Tenant's property situated in, or upon, or used in connection with the Premises or the Project, and all proceeds thereof (except merchandise sold in the ordinary course of business) (collectively, the "**Collateral**"), and the Collateral shall not be removed from the Premises or the Project without the prior written consent of Landlord until all obligations of Tenant

have been fully performed. Such personalty thus encumbered includes specifically all trade and other fixtures for the purpose of this Section 21 and inventory, equipment, contract rights, accounts receivable and the proceeds thereof. Upon the occurrence of an Event of Default, Landlord may, in addition to all other remedies, without notice or demand except as provided below, exercise the rights afforded to a secured party under the Uniform Commercial Code of the state in which the Premises are located (the "UCC"). To the extent the UCC requires Landlord to give to Tenant notice of any act or event and such notice cannot be validly waived before a default occurs, then five-days' prior written notice thereof shall be reasonable notice of the act or event. In order to perfect such security interest, Landlord may file any financing statement or other instrument necessary at Tenant's expense at the state and county Uniform Commercial Code filing offices. Tenant grants to Landlord a power of attorney to execute and file any financing statement or other instrument necessary to perfect Landlord's security interest under this Section 21, which power is coupled with an interest and is irrevocable during the Term. Landlord may also file a copy of this Lease as a financing statement to perfect its security interest in the Collateral. Within ten days following written request therefor, Tenant shall execute financing statements to be filed of record to perfect Landlord's security interest in the Collateral.

22. **Surrender of Premises.** No act by Landlord shall be deemed an acceptance of a surrender of the Premises, and no agreement to accept a surrender of the Premises shall be valid unless it is in writing and signed by Landlord. At the expiration or termination of this Lease, Tenant shall deliver to Landlord the Premises with all improvements located therein in good repair and condition, free of Hazardous Materials placed on the Premises during the Term, broom-clean, reasonable wear and tear (and condemnation and Casualty damage not caused by Tenant, as to which Sections 15 and 16 shall control) excepted, and shall deliver to Landlord all keys to the Premises. Provided that Tenant has performed all of its obligations hereunder, Tenant may remove only unattached trade fixtures, furniture, and personal property placed in the Premises or elsewhere in the Building by Tenant (but Tenant may not remove any such item which was paid for, in whole or in part, by Landlord or any wiring or cabling unless Landlord requires such removal). Additionally, at Landlord's option, Tenant shall remove such alterations, additions, improvements, trade fixtures, personal property, equipment, wiring, conduits, cabling, and furniture as Landlord may request; however, Tenant shall not be required to remove any addition or improvement to the Premises or the Project if Landlord has specifically agreed in writing that the improvement or addition in question need not be removed. Tenant shall repair all damage caused by such removal. All items not so removed shall, at Landlord's sole option, be deemed to have been abandoned by Tenant and may be appropriated, sold, stored, destroyed, or otherwise disposed of by Landlord without notice to Tenant and without any obligation to account for such items; any such disposition shall not be considered a strict foreclosure or other exercise of Landlord's rights in respect of the security interest granted under Section 21. The provisions of this Section 22 shall survive the end of the Term.

23. **Holding Over.** If Tenant fails to vacate the Premises at the end of the Term, then Tenant shall be a tenant at sufferance and, in addition to all other damages and remedies to which Landlord may be entitled for such holding over, (a) Tenant shall pay, in addition to the other Rent, Basic Rent equal to the greater of (1) 150% of the Rent payable during the last month of the Term, or (2) 125% of the prevailing rental rate in the Building for similar space, and (b) Tenant shall otherwise continue to be subject to all of Tenant's obligations under this Lease. The provisions of this Section 23 shall not be deemed to limit or constitute a waiver of any other rights or remedies of Landlord provided herein or at law. If Tenant fails to surrender the Premises upon the termination or expiration of this Lease, in addition to any other liabilities to Landlord accruing therefrom, Tenant shall protect, defend, indemnify and hold Landlord harmless from all loss, costs (including reasonable attorneys' fees) and liability resulting from such failure, including any claims made by any succeeding tenant founded upon such failure to surrender, and any lost profits to Landlord resulting therefrom.

24. **Certain Rights Reserved by Landlord.** Provided that the exercise of such rights does not unreasonably interfere with Tenant's occupancy of the Premises, Landlord shall have the following rights:

(a) **Building Operations.** To make inspections, repairs, alterations, additions, changes, or improvements, whether structural or otherwise, in and about the Project, or any part thereof; to enter upon the Premises (after giving Tenant reasonable notice thereof, which may be oral notice, except in cases of real or apparent emergency, in which case no notice shall be required) and, during the continuance of any such work, to temporarily close doors, entryways, public space, and corridors in the Building; and to interrupt or temporarily suspend Building services and facilities;



(b) **Security**. To take such reasonable measures as Landlord deems advisable for the security of the Building and its occupants; evacuating the Building for cause, suspected cause, or for drill purposes;

(c) **Prospective Purchasers and Lenders**. To enter the Premises at all reasonable hours to show the Premises to prospective purchasers or lenders; and

(d) **Prospective Tenants**. At any time during the last 12 months of the Term (or earlier if Tenant has notified Landlord in writing that it does not desire to renew the Term) or at any time following the occurrence of an Event of Default, to enter the Premises at all reasonable hours to show the Premises to prospective tenants.

25. **Substitution Space**. Intentionally Deleted.

26. **Miscellaneous**.

(a) **Landlord Transfer**. Landlord may transfer any portion of the Project and any of its rights under this Lease. If Landlord assigns its rights under this Lease, then Landlord shall thereby be released from any further obligations hereunder arising after the date of transfer, provided that the assignee assumes in writing Landlord's obligations hereunder arising from and after the transfer date.

(b) **Landlord's Liability**. The liability of Landlord (and its partners, shareholders or members) to Tenant (or any person or entity claiming by, through or under Tenant) for any default by Landlord under the terms of this Lease or any matter relating to or arising out of the occupancy or use of the Premises and/or other areas of the Building shall be limited to Tenant's actual direct, but not consequential, damages therefor and shall be recoverable only from the interest of Landlord in the Building, and Landlord (and its partners, shareholders or members) shall not be personally liable for any deficiency. The provisions of this Section shall survive any expiration or termination of this Lease. Additionally, Tenant hereby waives its statutory lien under Section 91.004 of the Texas Property Code.

(c) **Force Majeure**. Other than for Tenant's obligations under this Lease that can be performed by the payment of money (e.g., payment of Rent and maintenance of insurance), whenever a period of time is herein prescribed for action to be taken by either party hereto, such party shall not be liable or responsible for, and there shall be excluded from the computation of any such period of time, any delays due to strikes, riots, acts of God, shortages of labor or materials, war, terrorist acts or activities, governmental laws, regulations, or restrictions, or any other causes of any kind whatsoever which are beyond the control of such party.

(d) **Brokerage**. Other than the Brokers set forth in the Basic Lease Information above, Landlord and Tenant each warrants to the other that it has had no dealing with any broker or agent in connection with the negotiation or execution of this Lease and Landlord and Tenant each agrees to indemnify and hold the other harmless from and against any claims by any other broker, agent, or other person claiming a commission or other form of compensation by virtue of having dealt with the indemnifying party with regard to this leasing transaction. Landlord agrees to pay such Brokers a tenant procuring commission pursuant to a separate agreement between them. The obligations under this Section shall survive the expiration or earlier termination of the Lease.

(e) **Estoppel Certificates**. From time to time, Tenant shall furnish to any party designated by Landlord, within ten days after Landlord has made a request therefor, a certificate signed by Tenant confirming and containing such factual certifications and representations as to this Lease as Landlord may reasonably request. Unless otherwise required by Landlord's Mortgagee or a prospective purchaser or mortgagee of the Project, the initial form of estoppel certificate to be signed by Tenant is attached hereto as Exhibit F. If Tenant does not deliver to Landlord the certificate signed by Tenant within such required time period, Landlord, Landlord's Mortgagee and any prospective purchaser or mortgagee, may conclusively presume and rely upon the following facts: (1) this Lease is in full force and effect; (2) the terms and provisions of this Lease have not been changed except as otherwise represented by Landlord; (3) not more than one monthly installment of Basic Rent and other charges have been paid in advance; (4) there are no claims against Landlord nor any defenses or rights of offset against collection of Rent or other charges; and (5) Landlord is not in default under this Lease. In such event, Tenant shall be estopped from denying the truth of the presumed facts.

(f) **Notices.** All notices and other communications given pursuant to this Lease shall be in writing and shall be (1) mailed by first class, United States Mail, postage prepaid, certified, with return receipt requested, and addressed to the parties hereto at the address specified in the Basic Lease Information, (2) hand delivered to the intended addressee, (3) sent by a nationally recognized overnight courier service, or (4) sent by electronic mail transmission during normal business hours with delivery verification and followed by a confirmatory letter sent in another manner permitted hereunder. All notices shall be effective upon delivery to the address of the addressee (even if such addressee refuses delivery thereof). The parties hereto may change their addresses by giving notice thereof to the other in conformity with this provision.

(g) **Separability.** If any clause or provision of this Lease is illegal, invalid, or unenforceable under present or future laws, then the remainder of this Lease shall not be affected thereby and in lieu of such clause or provision, there shall be added as a part of this Lease a clause or provision as similar in terms to such illegal, invalid, or unenforceable clause or provision as may be possible and be legal, valid, and enforceable.

(h) **Amendments; Binding Effect; No Electronic Records.** This Lease may not be amended except by instrument in writing signed by Landlord and Tenant. No provision of this Lease shall be deemed to have been waived by Landlord unless such waiver is in writing signed by Landlord, and no custom or practice which may evolve between the parties in the administration of the terms hereof shall waive or diminish the right of Landlord to insist upon the performance by Tenant in strict accordance with the terms hereof. Landlord and Tenant hereby agree not to conduct the transactions or communications contemplated by this Lease by electronic means, except as specifically set forth in Section 26(f); nor shall the use of the phrase "in writing" or the word "written" be construed to include electronic communications except as specifically set forth in Section 26(f). The terms and conditions contained in this Lease shall inure to the benefit of and be binding upon the parties hereto, and upon their respective successors in interest and legal representatives, except as otherwise herein expressly provided. This Lease is for the sole benefit of Landlord and Tenant, and, other than Landlord's Mortgagee, no third party shall be deemed a third party beneficiary hereof.

(i) **Quiet Enjoyment.** Provided Tenant has performed all of its obligations hereunder, Tenant shall peaceably and quietly hold and enjoy the Premises for the Term, without hindrance from Landlord or any party claiming by, through, or under Landlord, but not otherwise, subject to the terms and conditions of this Lease.

(j) **No Merger.** There shall be no merger of the leasehold estate hereby created with the fee estate in the Premises or any part thereof if the same person acquires or holds, directly or indirectly, this Lease or any interest in this Lease and the fee estate in the leasehold Premises or any interest in such fee estate.

(k) **No Offer.** The submission of this Lease to Tenant shall not be construed as an offer, and Tenant shall not have any rights under this Lease unless Landlord executes a copy of this Lease and delivers it to Tenant.

(l) **Entire Agreement.** This Lease constitutes the entire agreement between Landlord and Tenant regarding the subject matter hereof and supersedes all oral statements and prior writings relating thereto. Except for those set forth in this Lease, no representations, warranties, or agreements have been made by Landlord or Tenant to the other with respect to this Lease or the obligations of Landlord or Tenant in connection therewith. The normal rule of construction that any ambiguities be resolved against the drafting party shall not apply to the interpretation of this Lease or any exhibits or amendments hereto. Any past lease entered into by Tenant and Landlord prior to the execution of this Lease shall be superseded in full by this Lease and neither Tenant or Landlord shall have any claims or rights pursuant to such prior lease or leases.

(m) **Waiver of Jury Trial.** **TO THE MAXIMUM EXTENT PERMITTED BY LAW, LANDLORD AND TENANT EACH WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY LITIGATION OR TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE ARISING OUT OF OR WITH RESPECT TO THIS LEASE OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith OR THE TRANSACTIONS RELATED HERETO.**

(n) **Governing Law.** This Lease shall be governed by and construed in accordance with the laws of the state in which the Premises are located.

(o) **Recording.** Tenant shall not record this Lease or any memorandum of this Lease without the prior written consent of Landlord, which consent may be withheld or denied in the sole and absolute discretion of Landlord, and any recordation by Tenant shall be a material breach of this Lease. Tenant grants to Landlord a power of attorney to execute and record a release releasing any such recorded instrument of record that was recorded without the prior written consent of Landlord.

(p) **Water or Mold Notification.** To the extent Tenant or its agents or employees discover any water leakage, water damage or mold in or about the Premises or Project, Tenant shall promptly notify Landlord thereof in writing.

(q) **Joint and Several Liability.** If Tenant is comprised of more than one party, each such party shall be jointly and severally liable for Tenant's obligations under this Lease. All unperformed obligations of Tenant hereunder not fully performed at the end of the Term shall survive the end of the Term, including payment obligations with respect to Rent and all obligations concerning the condition and repair of the Premises. If there be a Guarantor of Tenant's obligations hereunder, the obligations hereunder imposed upon Tenant shall be joint and several obligations of Tenant and any such Guarantor.

(r) **Financial Reports.** Tenant shall be obligated as a material term of this Lease to provide Landlord within fifteen (15) days of the end of each fiscal quarter of Tenant, Tenant's most recent financial statements (including any notes to them) prepared in accordance with GAAP or other sound accounting principles approved by Landlord. Additionally, at any time, within fifteen (15) days after Landlord's request, Tenant will furnish Tenant's most recent audited financial statements (including any notes to them) to Landlord, or, if no such audited statements have been prepared, such other financial statements (and notes to them) as may have been prepared by an independent certified public accountant or, failing those, Tenant's internally prepared financial statements. If Tenant is a publicly traded corporation, Tenant may satisfy its obligations hereunder by providing to Landlord Tenant's most recent annual and quarterly reports. Tenant will discuss its financial statements with Landlord and, following the occurrence of an Event of Default hereunder, will give Landlord access to Tenant's books and records in order to enable Landlord to verify the financial statements. Landlord will not disclose any aspect of Tenant's financial statements that Tenant designates to Landlord as confidential except (1) to Landlord's Mortgagee or prospective mortgagees or purchasers of the Building, (2) in litigation between Landlord and Tenant, and/or (3) if required by court order.

(s) **Landlord's Fees.** Whenever Tenant requests Landlord to take any action not required of it hereunder or give any consent required or permitted under this Lease, Tenant will reimburse Landlord for Landlord's reasonable, out-of-pocket costs payable to third parties and incurred by Landlord in reviewing the proposed action or consent, including reasonable attorneys', engineers' or architects' fees, within 30 days after Landlord's delivery to Tenant of a statement of such costs. Tenant will be obligated to make such reimbursement without regard to whether Landlord consents to any such proposed action.

(t) **Telecommunications.** Tenant and its telecommunications companies, including local exchange telecommunications companies and alternative access vendor services companies, shall have no right of access to and within the Building, for the installation and operation of telecommunications systems, including voice, video, data, Internet, and any other services provided over wire, fiber optic, microwave, wireless, and any other transmission systems ("**Telecommunications Services**"), for part or all of Tenant's telecommunications within the Building and from the Building to any other location without Landlord's prior written consent. All providers of Telecommunications Services shall be required to comply with the rules and regulations of the Building, applicable Laws and Landlord's policies and practices for the Building. Tenant acknowledges that Landlord shall not be required to provide or arrange for any Telecommunications Services and that Landlord shall have no liability to any Tenant Party in connection with the installation, operation or maintenance of Telecommunications Services or any equipment or facilities relating thereto. Tenant, at its cost and for its own account, shall be solely responsible for obtaining all Telecommunications Services.

(u) **Confidentiality.** Tenant acknowledges that the terms and conditions of this Lease are to remain confidential for Landlord's benefit, and may not be disclosed by Tenant to anyone, by any manner or means,

directly or indirectly, without Landlord's prior written consent; however, Tenant may disclose the terms and conditions of this Lease if required by Law or court order, to its attorneys, accountants, employees and existing or prospective financial partners provided same are advised by Tenant of the confidential nature of such terms and conditions and agree to maintain the confidentiality thereof (in each case, prior to disclosure). Tenant shall be liable for any disclosures made in violation of this Section by Tenant or by any entity or individual to whom the terms of and conditions of this Lease were disclosed or made available by Tenant. The consent by Landlord to any disclosures shall not be deemed to be a waiver on the part of Landlord of any prohibition against any future disclosure.

(v) **Authority.** Tenant (if a corporation, partnership or other business entity) hereby represents and warrants to Landlord that Tenant is a duly formed and existing entity qualified to do business in the state in which the Premises are located, that Tenant has full right and authority to execute and deliver this Lease, and that each person signing on behalf of Tenant is authorized to do so, and that Tenant's organizational identification number assigned by the Delaware Secretary of State is listed on the signature page of this Lease. Landlord hereby represents and warrants to Tenant that Landlord is a duly formed and existing entity qualified to do business in the state in which the Premises are located, that Landlord has full right and authority to execute and deliver this Lease, and that each person signing on behalf of Landlord is authorized to do so.

(w) **Security Service.** Tenant acknowledges and agrees that, while Landlord may (but shall not be obligated to) patrol the Building, Landlord is not providing any security services with respect to the Premises or Tenant's off-Premises equipment and that Landlord shall not be liable to Tenant for, and Tenant waives any claim against Landlord with respect to, any loss by theft or any other damage suffered or incurred by Tenant in connection with any unauthorized entry into the Premises or any area where Tenant's off-Premises equipment is located or any other breach of security with respect to the Premises or Tenant's off-Premises equipment.

(x) **List of Exhibits.** All exhibits and attachments attached hereto are incorporated herein by this reference.

Exhibit A - Outline of Premises  
 Exhibit B - Description of the Land  
 Exhibit C - Building Rules and Regulations  
 Exhibit D - Tenant Work  
 Exhibit E - Form of Confirmation of Commencement Date Letter  
 Exhibit F - Form of Tenant Estoppel Certificate  
 Exhibit G - Renewal Option  
 Exhibit H - Guaranty  
 Exhibit I - Sign Criteria

(y) **Prohibited Persons and Transactions.** Tenant represents and warrants to Landlord that Tenant is currently in compliance with and shall at all times during the Term (including any extension thereof) remain in compliance with the regulations of the OFAC of the Department of the Treasury (including those named on OFAC's Specially Designated Nationals and Blocked Persons List) and any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism), or other governmental action relating thereto.

(z) **Determination of Charges.** Landlord and Tenant agree that each provision of this Lease for determining charges and amounts payable by Tenant (including provisions regarding Additional Rent and Tenant's Proportionate Share of Taxes and Electrical Costs) is commercially reasonable and, as to each such charge or amount, constitutes a statement of the amount of the charge or a method by which the charge is to be computed for purposes of Section 93.012 of the Texas Property Code.

## 27. **Environmental Requirements.**

(a) **Prohibition against Hazardous Materials.** Except for Hazardous Materials contained in products used by Tenant in de minimis quantities for ordinary cleaning and office purposes, Tenant shall not permit or cause any party to bring any Hazardous Materials upon the Premises or in the Project or transport, store, use, generate, manufacture, dispose, or release any Hazardous Materials on or from the Premises or the Project without

Landlord's prior written consent. Tenant, at its sole cost and expense, shall operate its business in the Premises in strict compliance with all Environmental Requirements and all requirements of this Lease. Tenant shall complete and certify to disclosure statements as requested by Landlord from time to time relating to Tenant's transportation, storage, use, generation, manufacture, or release of Hazardous Materials on the Premises or in the Project, and Tenant shall promptly deliver to Landlord a copy of any notice of violation relating to the Premises or the Project of any Environmental Requirement.

(b) **Environmental Requirements.** The term "**Environmental Requirements**" means all Laws regulating or relating to health, safety, or environmental conditions on, under, or about the Premises or the Project or the environment including the following: the Comprehensive Environmental Response, Compensation and Liability Act; the Resource Conservation and Recovery Act; the Clean Air Act; the Clean Water Act; the Toxic Substances Control Act and all state and local counterparts thereto, and any common or civil law obligations including nuisance or trespass, and any other requirements of Section 14 and Exhibit C of this Lease. The term "**Hazardous Materials**" means and includes any substance, material, waste, pollutant, or contaminant that is or could be regulated under any Environmental Requirement or that may adversely affect human health or the environment, including any solid or hazardous waste, hazardous substance, asbestos, petroleum (including crude oil or any fraction thereof, natural gas, synthetic gas, polychlorinated biphenyls (PCBs), and radioactive material). For purposes of Environmental Requirements, to the extent authorized by law, Tenant is and shall be deemed to be the responsible party, including the "owner" and "operator" of Tenant's "facility" and the "owner" of all Hazardous Materials brought on the Premises or the Project by a Tenant Party and the wastes, by-products, or residues generated, resulting, or produced therefrom.

(c) **Removal of Hazardous Materials.** Tenant, at its sole cost and expense, shall remove all Hazardous Materials stored, disposed of or otherwise released by a Tenant Party onto or from the Premises or the Project, in a manner and to a level satisfactory to Landlord in its sole discretion, but in no event to a level and in a manner less than that which complies with all Environmental Requirements and does not limit any future uses of the Premises or the Project or require the recording of any deed restriction or notice regarding the Premises or the Project. Tenant shall perform such work at any time during the period of this Lease upon written request by Landlord or, in the absence of a specific request by Landlord, before Tenant's right to possession of the Premises terminates or expires. If Tenant fails to perform such work within the time period specified by Landlord or before Tenant's right to possession terminates or expires (whichever is earlier), Landlord may at its discretion, and without waiving any other remedy available under this Lease or at law or equity (including an action to compel Tenant to perform such work), perform such work at Tenant's cost. Tenant shall pay all costs incurred by Landlord in performing such work within ten days after Landlord's request therefor. Such work performed by Landlord is on behalf of Tenant and Tenant remains the owner, generator, operator, transporter, and/or arranger of the Hazardous Materials for purposes of Environmental Requirements. Tenant agrees not to enter into any agreement with any person, including any governmental authority, regarding the removal of Hazardous Materials that have been disposed of or otherwise released onto or from the Premises or the Project without the written approval of the Landlord.

(d) **Tenant's Indemnity.** Tenant shall indemnify, defend, and hold Landlord, its agents and representatives harmless from and against any and all losses (including diminution in value of the Premises or the Project and loss of rental income from the Project), liabilities (INCLUDING ANY STRICT LIABILITY), claims, demands, actions, suits, damages (including punitive damages), expenses (including remediation, removal, repair, corrective action, or cleanup expenses), and costs (including actual attorneys' fees, consultant fees or expert fees and including removal or management of any asbestos brought into the Premises or the Project or disturbed in breach of the requirements of this Section 27, regardless of whether such removal or management is required by Law) which are brought or recoverable against, or suffered or incurred by Landlord, its agents, and representatives as a result of any release of Hazardous Materials or any breach of the requirements under this Section 27 by a Tenant Party regardless of whether Tenant had knowledge of such noncompliance. The obligations of Tenant under this Section 27 shall survive any expiration or termination of this Lease.

(e) **Inspections and Tests.** Landlord shall have access to, and a right to perform inspections and tests of, the Premises to determine Tenant's compliance with Environmental Requirements, its obligations under this Section 27, or the environmental condition of the Premises. Access shall be granted to Landlord upon Landlord's prior notice to Tenant and at such times so as to minimize, so far as may be reasonable under the circumstances, any disturbance to Tenant's operations. Such inspections and tests shall be conducted at Landlord's expense, unless such inspections or tests reveal that Tenant has not complied with any Environmental Requirement, in which case Tenant

shall reimburse Landlord for the reasonable cost of such inspection and tests. Landlord's receipt of or satisfaction with any environmental assessment in no way waives any rights that Landlord holds against Tenant. Tenant shall promptly notify Landlord of any communication or report that Tenant makes to any governmental authority regarding any possible violation of Environmental Requirements or release or threat of release of any Hazardous Materials onto or from the Premises or the Project. Tenant shall, within five days of receipt thereof, provide Landlord with a copy of any documents or correspondence received from any governmental agency or other party relating to a possible violation of Environmental Requirements or claim or liability associated with the release or threat of release of any Hazardous Materials onto or from the Premises or the Project.

(f) **Tenant's Financial Assurance in the Event of a Breach.** In addition to all other rights and remedies available to Landlord under this Lease or otherwise, Landlord may, in the event of a breach of the requirements of this Section 27 that is not cured within 15 days following notice of such breach by Landlord, require Tenant to provide financial assurance (such as insurance, escrow of funds or third party guarantee) in an amount and form satisfactory to Landlord. The requirements of this Section 27 are in addition to and not in lieu of any other provision in this Lease. Tenant's obligations under this Section 27 shall also apply to the areas where Tenant's Off-Premises Equipment is located.

28. **Parking.** Tenant shall have the non-exclusive right, in common with other tenants of the Building (if any) to use the parking spaces associated with the Building. In the event there is more than one tenant of the Building, Landlord shall use its reasonable discretion in allocating parking spaces to the tenants of the Building, taking into consideration all factors Landlord deems relevant, including the density and type (e.g., office or industrial) of use conducted by the tenants of the Building in their respective premises, but in no event should such allocation be less than 5.00 spaces per 1,000 square feet of rentable area of the Premises. Landlord reserves the right to initiate steps to control the parking utilization through gates, access cards, hang-tags or other means as appropriate. Parking spaces will be available to Tenant without charge during the initial Term. Landlord shall not be responsible for enforcing Tenant's parking rights against third parties.

29. **Other Provisions.**

(a) **Guaranty.** In order to induce Landlord to execute this Lease and as a condition to Landlord's obligation's hereunder, Tenant agrees that Landlord may, at its option, at the time of the execution of this Lease or at any time during the term hereof, require a guaranty of the obligations of the Tenant hereunder by a person, firm or corporation listed above or other guarantor acceptable to Landlord, which guaranty shall be in the form set forth in Exhibit H to this Lease. The person(s) executing this Lease on behalf of Landlord hereby represent and warrant to Tenant that such execution has been duly authorized by all requisite action of Landlord so that upon such execution this Lease will be binding upon and enforceable against Landlord in accordance with its terms.

(b) LANDLORD AND TENANT EXPRESSLY DISCLAIM ANY IMPLIED WARRANTY THAT THE PREMISES ARE SUITABLE FOR TENANT'S INTENDED COMMERCIAL PURPOSE, AND TENANT'S OBLIGATION TO PAY RENT HEREUNDER IS NOT DEPENDENT UPON THE CONDITION OF THE PREMISES OR THE PERFORMANCE BY LANDLORD OF ITS OBLIGATIONS HEREUNDER, AND, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED HEREIN, TENANT SHALL CONTINUE TO PAY THE RENT, WITHOUT ABATEMENT, DEMAND, SETOFF OR DEDUCTION, NOTWITHSTANDING ANY BREACH BY LANDLORD OF ITS DUTIES OR OBLIGATIONS HEREUNDER, WHETHER EXPRESS OR IMPLIED.

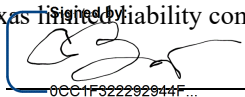
(c) Lease will be force provided the landlord Limited partnership acquires the real estate.

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This Lease is executed on the respective dates set forth below, but for reference purposes, this Lease shall be dated as of the date first above written. If the execution date is left blank, this Lease shall be deemed executed as of the date first written above.

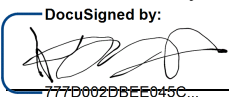
**LANDLORD:**

**NACOGDOCHES ASC TEXAS LLC,**  
a Texas limited liability company

By:   
Name: Chase Bryant  
Title: Manager  
Execution Date: 3/14/2025

**TENANT:**

**FOUNDATION SURGERY AFFILIATE OF  
NACOGDOCHES, LLC**  
a Texas limited liability company

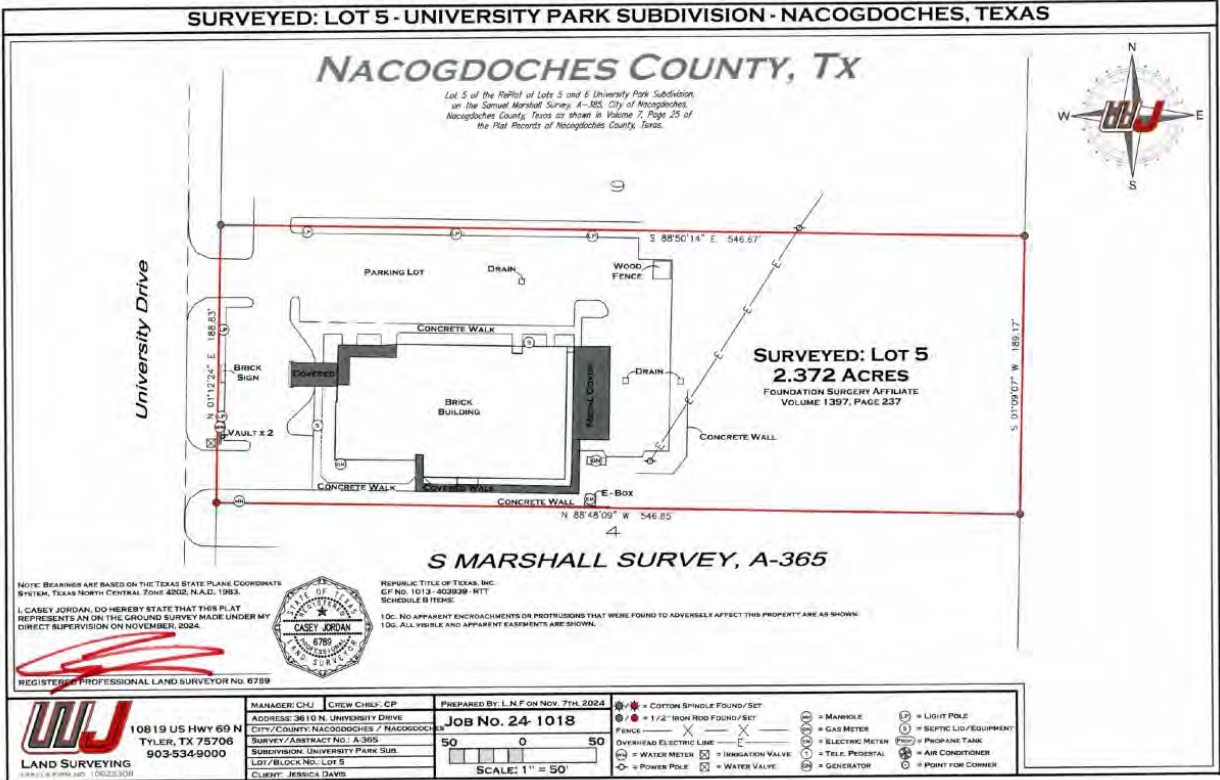
By:   
Name: Kelley Bennett M.D.  
Title: Manager  
Execution Date: 3/17/2025



**EXHIBIT A**

**OUTLINE OF PREMISES**

[TO BE ADDED]



**EXHIBIT B**

**DESCRIPTION OF THE LAND**

Lot 5 of the REPLAT OF LOTS 5 AND 6 UNIVERSITY PARK SUBDIVISION, on the SAMUEL MARSHALL SURVEY, A-365, City of Nacogdoches, Nacogdoches County, Texas as shown in Volume 7, Page 25 of the Plat Records of Nacogdoches County, Texas

## **EXHIBIT C**

### **BUILDING RULES AND REGULATIONS**

The following rules and regulations shall apply to the Premises, the Building, the parking areas associated therewith, and the appurtenances thereto:

1. Sidewalks, doorways, vestibules, halls, stairways, loading dock areas and associated overhead doors, and other similar areas shall not be obstructed by tenants or used by any tenant for purposes other than ingress and egress to and from their respective leased premises and for going from one to another part of the Building.

2. Plumbing (including outside drains and sump pumps), fixtures and appliances shall be used only for the purposes for which designed, and no sweepings, rubbish, rags or other unsuitable material shall be thrown or deposited therein. Damage resulting to any such fixtures or appliances from misuse by a tenant or its agents, employees or invitees, shall be paid by such tenant.

3. No signs, advertisements or notices shall be painted or affixed on or to any windows or doors or other part of the Building visible from the exterior of the Premises unless in compliance with the governing lease of any tenant.

4. Tenant, at its expense, shall be responsible for providing all door locks in the Premises and shall provide to Landlord, at Tenant's expense, contemporaneously with the installation of such devices, a master key, card keys, access codes or other means to allow Landlord immediate access to all areas within the Premises.

5. Landlord may prescribe weight limitations and determine the locations for safes and other heavy equipment or items, which shall in all cases be placed in the Building so as to distribute weight in a manner acceptable to Landlord which may include the use of such supporting devices as Landlord may require. All damages to the Building caused by the installation or removal of any property of a tenant, or done by a tenant's property while in the Building, shall be repaired at the expense of such tenant.

6. Corridor doors, when not in use, shall be kept closed. Nothing shall be swept or thrown into the corridors, halls, elevator shafts or stairways. No birds or animals (other than seeing-eye dogs) shall be brought into or kept in, on or about any tenant's leased premises. No portion of any tenant's leased premises shall at any time be used or occupied as sleeping or lodging quarters.

7. Tenant shall not make or permit any vibration or improper, objectionable or unpleasant noises or odors in the Building or otherwise interfere in any way with other tenants or persons having business with them. Tenant shall not introduce, disturb or release asbestos or PCB's into or from the Premises.

8. Tenant shall not keep in the Building any flammable or explosive fluid or substance. The use of oil, gas or inflammable liquids for heating and lighting is expressly prohibited. Explosives or other articles deemed extra hazardous shall not be brought into the Building.

9. Landlord will not be responsible for lost or stolen personal property, money or jewelry from tenant's leased premises or public or common areas regardless of whether such loss occurs when the area is locked against entry or not.

10. Tenant shall not conduct any activity on or about the Premises or Building which will draw pickets, demonstrators, or the like.

11. All vehicles are to be currently licensed, in good operating condition, parked for business purposes having to do with Tenant's business operated in the Premises, parked within designated parking spaces, one vehicle to each space. No vehicle shall be parked as a "billboard" vehicle in the parking lot. Any vehicle parked improperly may be towed away. Tenant, Tenant's agents, employees, vendors and customers who do not operate or park their vehicles as required shall subject the vehicle to being towed at the expense of the owner or driver. Landlord may place a "boot"

on the vehicle to immobilize it and may levy a charge of \$50.00 to remove the "boot." Tenant shall indemnify, hold and save harmless Landlord of any liability arising from the towing or booting of any vehicles belonging to a Tenant Party.

12. Tenant shall not permit storage outside the Premises, including outside storage of trucks and other vehicles, or dumping of waste or refuse or permit any harmful materials to be placed in any drainage system or sanitary system in or about the Premises.

13. Tenant shall not install or operate on the Premises any machinery or mechanical devices of a nature not directly related to Tenant's ordinary use of the Premises.

14. Tenant shall not park or operate any semi-trucks or semi-trailers in the parking areas associated with the Building.

15. Tenant will not permit any Tenant Party to bring onto the Project any handgun, firearm or other weapons of any kind, illegal drugs or, unless expressly permitted by Landlord in writing, alcoholic beverages.

16. Tenant shall not permit its employees, invitees or guests to smoke in the Premises or the lobbies, passages, corridors, elevators, vending rooms, rest rooms, stairways or any other area shared in common with other tenants in the Building, or permit its employees, invitees, or guests to loiter at the Building entrances for the purposes of smoking. Landlord may, but shall not be required to, designate an area for smoking outside the Building.

17. Tenant shall not at any time occupy any part of the Premises as sleeping or lodging quarters.

## **EXHIBIT D**

### **TENANT WORK**

(Tenant Performs the Work)

#### 1. **Landlord's Work.**

- (a) The Premises is currently in operation by Tenant as an existing business performing the services of the Permitted Use. No additional work is accordingly required of Landlord. The cost of any and all work not specifically delineated on the "**Responsibility Table**" set forth below as Landlord's Work, or any increase in cost resulting from subsequent changes, shall be the responsibility of, and paid for by Tenant.
- (b) TENANT EXPRESSLY ACKNOWLEDGES AND AGREES THAT, EXCEPT AS EXPRESSLY SET FORTH IN THIS **EXHIBIT D**, THE PREMISES IS BEING LEASED TO TENANT ON AN "AS-IS" BASIS, AND LANDLORD MAKES NO WARRANTY, GUARANTY OR REPRESENTATION, EXPRESS OR IMPLIED, OR ARISING BY OPERATION OF LAW, INCLUDING, BUT IN NO WAY LIMITED TO, ANY WARRANTY OF CONDITION, SUITABILITY, HABITABILITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, ALL OF WHICH ARE, TO THE FULLEST EXTENT PERMITTED BY LAW, EXPRESSLY DISCLAIMED.

#### 2. **Tenant's Work.**

- (a) During a six-month consecutive period during the first eighteen (18) months of the Term, Tenant may improve (subject to Landlord's reasonable approval as set forth herein) the Premises at its expense but subject to the application of the Allowance as set forth in **Article 3** of the Lease by constructing all alterations or improvements thereto necessary or desirable for the Permitted Use, including without limitation those items allocated to Tenant in the Responsibility Table set forth below as part of this **Exhibit D** (collectively, the "**Tenant Improvements**"). Landlord and Tenant agree to cooperate reasonably and in good faith (and to use commercially reasonable efforts to have their respective contractors and vendors so cooperate) with respect to the design, approval and construction of the Tenant Improvements, the installation of Tenant's FF&E, Cabling and Tenant's signage, and any other matters arising under this **Exhibit D**. As the Premises are an existing business, Tenant, may elect to not improve the Premises at which point further improvements will be governed by the terms of the Lease. The term "**Tenant's Work**" shall mean and include, collectively, the Tenant Improvements, the installation of Tenant's FF&E, Cabling and Tenant's signage, all of which, together with the architect and general contractor selected by Tenant, shall be subject to Landlord's review and approval as set forth herein and which approval shall not be unreasonably withheld, conditioned or delayed unless the Tenant Improvements or other portions of Tenant's Work are structural or affect the exterior (including the appearance) of the Building or will adversely affect any of the Building Structure or Building Systems (the "**Approval Standard**"). There shall be no Landlord construction management or supervision fee in connection with Tenant's Work; provided that Landlord shall be reimbursed by Tenant (subject to the application of the Allowance) for any reasonable and necessary third-party out-of-pocket review costs associated with Landlord's review and approval of the "**Space Plan**" and the "**Plans**" (as such terms are defined below).
- (b) In the event Tenant wishes to make Tenant Improvements during a six-month consecutive period during the first eighteen (18) months of the Term, then Tenant shall deliver to Landlord, for Landlord's review and approval in accordance with the Approval Standard a preliminary plan (the "**Space Plan**") of the proposed Tenant Improvements. Within seven (7) days after the submission thereof, Landlord shall notify Tenant of Landlord's approval or reasonable disapproval thereof in accordance with the Approval Standard, as the case may be, and if so disapproved, the reasons why in writing and in reasonable detail so that Tenant may cause the architect to revise such drawings

and specifications. If Landlord does not approve or reasonably disapprove such drawings and specifications within such seven-day period, then Tenant shall provide a written notice to Landlord of its failure to respond including the following language in all CAPITAL letters and **bold** at the top of such notice: **“IN THE EVENT LANDLORD FAILS TO APPROVE OR REASONABLY DISAPPROVE OF THE SPACE PLAN WITHIN THREE (3) BUSINESS DAYS AFTER RECEIPT OF THIS NOTICE, LANDLORD SHALL BE DEEMED TO APPROVE THE SPACE PLAN.”** If Landlord fails to approve or reasonably disapprove of the Space Plan within three (3) business days after its receipt of such notice, then the Space Plan as submitted shall be deemed approved by Landlord. If Landlord reasonably and timely disapproves the Space Plan submitted by Tenant pursuant to the foregoing procedure, within seven (7) days of its receipt of such disapproval from Landlord, Tenant shall submit, for reasonable approval by Landlord as set forth herein, a revised Space Plan containing the revisions reasonably required or legally required, as the case may be, to obtain Landlord’s approval. The process shall be repeated until the Space Plan has been approved or deemed approved by Landlord, provided that the times for response and resubmission shall be reduced to three (3) business days for any re-submissions after the first resubmission. The Space Plan finally approved or deemed approved by Landlord is hereinafter called the **“Approved Space Plan”**.

- (c) Within six (6) weeks of the approval or deemed approval of the Approved Floor Plan, Tenant shall cause the architect to prepare and submit to Landlord, for its review and approval in accordance with the Approval Standard, (i) complete plans and specifications (the **“Plans”**) for any the Tenant Improvements, and all plans and information which will need to be submitted in connection with obtaining the **“Approvals”** (defined below), (ii) a graphic representation of Tenant’s signage for the Premises (including color, type, number and location), and (iii) such other related information as Landlord reasonably may request. Within seven (7) business days after receipt of the Plans and Tenant’s proposed signage, Landlord shall notify Tenant of Landlord’s approval or reasonable disapproval thereof, as the case may be, and if so disapproved, the reasons why in writing and in reasonable detail so that Tenant may cause the architect to revise such drawings and specifications; it being understood that it shall not be reasonable for Landlord to disapprove of a component of such Plans that Landlord has already approved in the Approved Space Plan. If Landlord does not approve or reasonably disapprove the such Plans and Tenant’s proposed signage within such seven (7) business day period, then Tenant shall provide a written notice to Landlord of its failure to respond including the following language in all CAPITAL letters and **bold** at the top of such notice: **“IN THE EVENT LANDLORD FAILS TO APPROVE OR REASONABLY DISAPPROVE OF THE PLANS AND TENANT’S PROPOSED SIGNAGE WITHIN THREE (3) BUSINESS DAYS AFTER RECEIPT OF THIS NOTICE, LANDLORD SHALL BE DEEMED TO APPROVE THE PLANS AND TENANT’S PROPOSED SIGNAGE”**. If Landlord fails to approve or reasonably disapprove of the Plans and Tenant’s proposed signage within three (3) business days after its receipt of such notice, then the Plans and Tenant’s proposed signage as submitted shall be deemed approved by Landlord. The Plans and Tenant’s proposed signage finally approved or deemed approved by Landlord are herein collectively called the **“Approved Plans”**.
- (d) Tenant warrants to Landlord that the Plans shall evidence improvements that conform to the requirements of all applicable building, plumbing and electrical codes and the requirements of any authority having jurisdiction over such work. Landlord assumes no responsibility with respect to any plans and specifications for construction work to be performed by Tenant, the selection of general contractors and subcontractors, and/or the performance of any construction work for which Tenant is responsible under the terms of this Lease. By accepting, consenting to, or approving any item, person, or matter which is delivered or presented to Landlord or which is required to be accepted, consented to, or approved by Landlord pursuant to this Lease, including, without limitation, the approval of any plans and specifications for the Tenant Improvements and/or the approval of any general contractors or subcontractors, Landlord shall not be deemed to have warranted or represented the sufficiency, effectiveness, or any other characteristics of the same, or of any term, provision, or condition thereof, and such acceptance, consent to, or approval thereof shall not be or constitute any warranty or representation of any kind or nature with respect thereto

by Landlord. No inspection or approval is a substitute for any applicable governmental approval, review, inspection, permit, or certificate, all of which are Tenant's responsibility.

- (e) Upon Landlord's approval of the Approved Plans, Tenant, at Tenant's expense and subject to application of the Allowance, shall apply for all permits and approvals (the "**Approvals**") required by governmental agencies or pursuant to any restrictive covenants for the construction of the Tenant Improvements and Tenant's proposed signage, including, without limitation, all required electric permits, sign permits, plumbing permits and any other building permits. Upon substantial completion of the Tenant Improvements, Tenant shall obtain a permanent certificate of occupancy for the Premises and deliver a copy thereof to Landlord or, in the event of no new Tenant Improvements, should obtain a permanent certificate of occupancy immediately.
- (f) Prior to the construction of the Tenant Improvements, Tenant shall (i) furnish Landlord with evidence of Tenant's financial ability to construct the Tenant Improvements, (ii) furnish Landlord with evidence satisfactory to Landlord that the Approvals have been obtained, (iii) furnish Landlord with evidence that Tenant has obtained and is maintaining (A) All Risk Builder's Risk Insurance in amount equal to the replacement value of the Tenant Improvements and naming Landlord as an additional insured, and (B) the Comprehensive General Liability Insurance policy described in Section 12(a) of the Lease, and (iv) notify Landlord at the time of commencement of the work.
- (g) All construction performed by Tenant upon the Premises shall be done in a good and workmanlike manner and in accordance with (i) the Approved Plans, and (ii) the Americans with Disabilities Act and all state and local law regarding accessibility for the disabled. All changes to the Approved Plans must be resubmitted to Landlord for Landlord's approval in accordance with the Approval Standard. All materials furnished in use by Tenant shall be new and of good quality for their intended purposes, and shall satisfy Landlord's specifications.
- (h) Tenant shall have no right, authority or power to bind Landlord or any interest of Landlord in the Premises for the payment of any claim for labor or materials or for any charge or expense incurred or the erection or construction of the Tenant Improvements, nor to render the Premises or any part thereof liable for any mechanic's or materialmen's lien, and shall in no way be considered the agent of Landlord in the construction or installation of the Tenant Improvements.
- (i) Landlord's representative shall be Chase Bryant ([chase@kc.capital](mailto:chase@kc.capital) and (972) 839-0067) and Tenant's representative shall be Kelley Bennett, in each case, for all matters related to Tenant's Work and any other arising under this Exhibit D, which representatives are subject to change by written notice from one party to the other in accordance with the Lease.

#### RESPONSIBILITY TABLE

	DESCRIPTION OF WORK	RESPONSIBILITY	
		Landlord	Tenant
1	Floor slab except leave out area		X
2	Standard Center Roof		X
3	Sealed concrete in any storage area		X
4	Office front: See C below		X
5	Any cross-partition walls		X
6	Final coat of paint in all areas		X
7	Standard suspended, acoustical grid ceiling system with lay-in tiles throughout the Premises (ceiling height shall be at least 9.5 above finished floor)		X



	DESCRIPTION OF WORK	RESPONSIBILITY	
		Landlord	Tenant
8	Restroom facility shall be handicapped equipped and shall be in accordance with applicable City Code and Americans with Disabilities Act requirements		X
9	Electrical: Electrical service wireways (gutters) are provided by Landlord at the rear of each shell building for location and installation of all Tenant electrical service equipment. Power requirements exceeding 200 amps at 120/208 volt three-phase service (or the equivalent 100 amps at 277/480 volt three-phase service) must be approved by Landlord prior to Tenant commencing construction. Tenant is responsible for bringing electrical service from the back of the building into the Premises. Tenant shall be responsible for the purchase of its Electric Meter and all associated fees.		X
10	Utilities brought to rear of building:	X	
	a. Rough-in plumbing		
	b. Sanitary sewer	X	
	c. Telephone service		X
11	Other utilities:		X
	a. Natural Gas		
	b. Water Heater		X
12	Heating, ventilation and air conditioning: (HVAC) a. One (1) ton per every 325 s.f. as a minimum, gas/electric HVAC unit b. Roof penetration for HVAC unit as per Section 3.1 of the Lease Agreement c. Air conditioning screen as required by City Code d. Subject to contribution by Landlord as set forth in the Lease		X
13	Lighting: a. Lighting to maintain adequate candlepower b. Lighting in storage area c. Conduit, wiring and junction box for Tenant lighted sign		X
14	Signs subject to Landlord's approval (size and other criteria to meet applicable City Code as well as Landlord's Sign Criteria) subject to contribution by Landlord as set forth in the Lease		X
15	Trade fixtures, shelving and other work necessary for retail operations		X
16	Application for separate metering of applicable utilities		X
17	All additional work not stated hereinabove		X
18	Plans and specifications for construction		X

- A. Demising walls between spaces are to be one hour fire rated, full height to roof deck with a closure strip at deck and meet all city codes. All exterior walls must have minimum R-15 batt insulation and 5/8" gyp. board added by Tenant. All ceilings must have minimum R-19 insulation added by Tenant. Tenant is responsible for construction of one demising wall insulated to roof deck and sheet rocked on both sides, and neutral pier (if applicable per Center Office front Criteria) to separate its office from that of adjacent tenants. At Landlord's request, Tenant may be required to cause to have constructed two walls and neutral piers and Landlord will reimburse Tenant for the cost of one wall and pier.
- B. Sign Criteria is provided by Landlord and attached to the Lease.
- C. All toilet facilities should meet handicap requirements.

- D. Any cutouts in the roof or exterior walls or any other modifications to the existing Center shall be approved by Landlord's structural engineer or roofing engineer.
- E. Power for signage shall be provided through each individual Lease space by Tenant with relay connection to house light circuit.
- F. All fees, permits and other charges relating to Tenant construction shall be the exclusive responsibility of Tenant.
- G. Tenant agrees to follow all other specifications for retail tenant finish construction as may be required by Landlord during its construction of Tenant's Work in the Premises.
- H. As stated in the body of the Lease, Landlord agrees to pay the sum of up to \$250,920.00 directly to contractors (certified by Landlord pursuant to the terms of this Lease) for interior work, capital improvements and other work necessary to update the Premises for the Permitted Use during a six-month consecutive period commencing in the first eighteen months of this Lease. Tenant shall have six months from commencement to implement Tenant's Work. Tenant shall be responsible for Base Rent, Common Area Costs, Insurance Escrow Payments, and Tax Escrow Payments during such time.

**EXHIBIT E**

**CONFIRMATION OF LEASE COMMENCEMENT DATE**

\_\_\_\_\_

\_\_\_\_\_

Re: Lease Agreement (the "**Lease**") dated March 10, 2025, between Nacogdoches ASC Texas LLC, a Texas Limited Liability Company ("**Landlord**"), and FOUNDATION SURGERY AFFILIATE OF NACOGDOCHES LLC, a Texas limited liability company ("**Tenant**"). Capitalized terms used herein but not defined shall be given the meanings assigned to them in the Lease.

Ladies and Gentlemen:

Landlord and Tenant agree as follows:

**Condition of Premises.** Tenant has accepted possession of the Premises pursuant to the Lease. Any improvements required by the terms of the Lease to be made by Landlord have been completed to the full and complete satisfaction of Tenant in all respects, and Landlord has fulfilled all of its duties under the Lease with respect to such initial tenant improvements. Furthermore, Tenant acknowledges that the Premises are suitable for the Permitted Use.

**Rent Commencement Date.** The Date is September 1, 2025.

**Expiration Date.** The Term is scheduled to expire on the last day of the 120th full calendar month of the Term, which date is August 30, 2035.

**Contact Person.** Tenant's contact person in the Premises is:

Foundation Surgery Affiliate of Nacogdoches LLC

Attention: Kelley Bennett M.D.

Telephone: 5128185015

Telecopy: \_\_\_\_ - \_\_\_\_ - \_\_\_\_

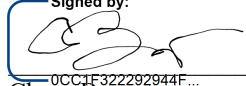
**Ratification.** Tenant hereby ratifies and confirms its obligations under the Lease, and represents and warrants to Landlord that it has no defenses thereto. Additionally, Tenant further confirms and ratifies that, as of the date hereof, (a) the Lease is and remains in good standing and in full force and effect, and (b) Tenant has no claims, counterclaims, set-offs or defenses against Landlord arising out of the Lease or in any way relating thereto or arising out of any other transaction between Landlord and Tenant.

**Binding Effect; Governing Law.** Except as modified hereby, the Lease shall remain in full effect and this letter shall be binding upon Landlord and Tenant and their respective successors and assigns. If any inconsistency exists or arises between the terms of this letter and the terms of the Lease, the terms of this letter shall prevail. This letter shall be governed by the laws of the state in which the Premises are located.

Please indicate your agreement to the above matters by signing this letter in the space indicated below and returning an executed original to us.

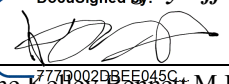
Sincerely,

**NACOGDOCHES ASC TEXAS LLC**  
a Texas limited liability company

Signed by:   
By: \_\_\_\_\_  
Name: Chase Bryant  
Title: Manager

Agreed and accepted:

***Foundation Surgery Affiliate of Nacogdoches LLC***, a Texas limited liability company

Signed by:   
By: \_\_\_\_\_  
Name: Kelley Bennett M.D.  
Title: Manager

**EXHIBIT F**

**FORM OF TENANT ESTOPPEL CERTIFICATE**

The undersigned is the Tenant under the Lease (defined below) between Nacogdoches ASC Texas LLC , a Texas limited liability company, as Landlord, and the undersigned as Tenant, for the Premises of the office building located at 3610 North University, Nacogdoches and commonly known as Foundation Surgery Center of Nacogdoches LLC, and hereby certifies as follows:

1. The Lease consists of the original Lease Agreement dated as of February 28, 2025 between Tenant and Landlord[*'s predecessor-in-interest*] and the following amendments or modifications thereto (if none, please state "none"): \_\_\_\_\_

The documents listed above are herein collectively referred to as the "Lease" and represent the entire agreement between the parties with respect to the Premises. All capitalized terms used herein but not defined shall be given the meaning assigned to them in the Lease.

2. The Lease is in full force and effect and has not been modified, supplemented or amended in any way except as provided in Section 1 above.

3. The Term commenced on July 1, 2025 and the Term expires, excluding any renewal options, on August 30, 2035, and Tenant has no option to purchase all or any part of the Premises or the Building or, except as expressly set forth in the Lease, any option to terminate or cancel the Lease.

4. Tenant currently occupies the Premises described in the Lease and Tenant has not transferred, assigned, or sublet any portion of the Premises nor entered into any license or concession agreements with respect thereto except as follows (if none, please state "none"): \_\_\_\_\_

5. All monthly installments of Basic Rent, all Additional Rent and all monthly installments of estimated Additional Rent have been paid when due through \_\_\_\_\_. The current monthly installment of Basic Rent is \$ \_\_\_\_\_.

6. All conditions of the Lease to be performed by Landlord necessary to the enforceability of the Lease have been satisfied and Landlord is not in default thereunder. In addition, Tenant has not delivered any notice to Landlord regarding a default by Landlord thereunder.

7. As of the date hereof, there are no existing defenses or offsets, or, to the undersigned's knowledge, claims or any basis for a claim, that the undersigned has against Landlord and no event has occurred and no condition exists, which, with the giving of notice or the passage of time, or both, will constitute a default under the Lease.

8. No rental has been paid more than 30 days in advance and no security deposit has been delivered to Landlord except as provided in the Lease.

9. If Tenant is a corporation, partnership or other business entity, each individual executing this Estoppel Certificate on behalf of Tenant hereby represents and warrants that Tenant is a duly formed and existing entity qualified to do business in the state in which the Premises are located and that Tenant has full right and authority to execute and deliver this Estoppel Certificate and that each person signing on behalf of Tenant is authorized to do so.

10. There are no actions pending against Tenant under any bankruptcy or similar laws of the United States or any state.

11. Other than in compliance with all applicable laws and incidental to the ordinary course of the use of the Premises, the undersigned has not used or stored any hazardous substances in the Premises.

12. Tenant is not itself, and is not directly or indirectly owned, controlled or supported by, a "Specially Designated National" or otherwise designated as a blocked person under any regulation of the Office of Foreign Assets Control, U.S. Department of Treasury (see: [www.ustreas.gov/offices/enforcement/OFAC](http://www.ustreas.gov/offices/enforcement/OFAC)).

13. All tenant improvement work to be performed by Landlord under the Lease has been completed in accordance with the Lease and has been accepted by the undersigned and all reimbursements and allowances due to the undersigned under the Lease in connection with any tenant improvement work have been paid in full.

Tenant acknowledges that this Estoppel Certificate may be delivered to Landlord, Landlord's Mortgagee or to a prospective mortgagee or prospective purchaser, and their respective successors and assigns, and acknowledges that Landlord, Landlord's Mortgagee and/or such prospective mortgagee or prospective purchaser will be relying upon the statements contained herein in disbursing loan advances or making a new loan or acquiring the property of which the Premises are a part and that receipt by it of this certificate is a condition of disbursing loan advances or making such loan or acquiring such property.

Executed as of \_\_\_\_\_, 20\_\_.

**TENANT:** \_\_\_\_\_, a  
\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT G**

**RENEWAL OPTION**

Provided no Event of Default exists and Tenant is occupying the entire Premises at the time of such election, Tenant may renew this Lease for two (2) additional periods of five (5) years, by delivering written notice of the exercise thereof to Landlord not earlier than twelve (12) months nor later than six (6) months before the expiration of the Term, as may be extended. The Basic Rent payable for each month during each such extended Term shall be the greater of the rent for the twelve (12) month period immediately preceding the commencement of each extended Term as applicable, or the fair market value as determined by Landlord, in Landlord's sole discretion. Annual increases shall be consistent with then prevailing market rates and shall be incorporated into such terms.

If Tenant timely exercises its renewal option(s), then, on or before the commencement date of the applicable extended Term, Landlord and Tenant shall execute an amendment to this Lease extending the Term on the same terms provided in this Lease, except as follows:

- (a) Basic Rent shall be adjusted as provided in the schedule contained in this Exhibit G;
- (b) Tenant shall have no further renewal option unless expressly granted by Exhibit G or by Landlord in writing;
- (c) Landlord shall lease to Tenant the Premises in their then-current condition, and Landlord shall not provide to Tenant any allowances (e.g., moving allowance, construction allowance, and the like) or other tenant inducements;

If Tenant fails to timely exercise its option(s), time being of the essence with respect thereto, Tenant's rights under this Exhibit shall terminate and Tenant shall have no further right to renew this Lease.

Tenant's rights under this Exhibit shall terminate if (1) this Lease or Tenant's right to possession of the Premises is terminated, (2) Tenant assigns any of its interest in this Lease or sublets any portion of the Premises, (3) Tenant fails to timely exercise its option under this Exhibit, time being of the essence with respect to Tenant's exercise thereof, or (4) Landlord determines, in its sole but reasonable discretion, that Tenant's financial condition or creditworthiness has materially deteriorated since the date of this Lease.



**EXHIBIT H**

**GUARANTY**

THIS GUARANTY is given by **Dr Carl Jones** (hereinafter called the "Guarantors," whether one or more) to **NACOGDOCHES ASC TEXAS LLC**, a Texas limited liability company; or Assigns (hereinafter called the "Landlord");

**WITNESSETH:**

(a) In order to induce the Landlord to demise to Complete Surgery Nacogdoches, LLC, a Texas limited liability company (hereinafter with its successors and assigns referred to as the "Tenant") certain Leased Premises in the Center to be (or which has been) constructed on land situated at 3610 North University, Nacogdoches, Texas 75965, and being described in and pursuant to a certain Commercial Lease dated March 10, 2025 (which Lease, together with any and all present and future modifications, amendments, renewals and extensions thereof, is hereinafter referred to as the "Lease"), the Guarantors agree as follows:

1. The Guarantors do hereby jointly and severally unconditionally, irrevocably and absolutely guarantee to the Landlord the full, prompt and complete payment by the Tenant of the rent and all other sums which may now or hereafter be payable by the Tenant under or by reason of the Lease and the full, prompt and complete performance by the Tenant of all and singular the terms, covenants, conditions and provisions in the Lease required to be performed by Tenant without regard to any forbearance, delay, neglect or failure on the part of the Landlord in enforcing same.

2. The Guarantors do hereby waive notice of acceptance hereof and any and all other notices which by law or under the terms and provisions of the Lease are required to be given to the Tenant, and also waive any demand for or notice of default of the payment of rent and other sums which may be payable by the Tenant under the Lease and the performance of all and singular the terms, covenants, conditions and provisions in the Lease required to be performed by the Tenant; and the Guarantors do further expressly hereby waive any legal obligation, duty or necessity for the Landlord to proceed first against the Tenant or to exhaust any remedy the Landlord may have against the Tenant, it being agreed that in the event of a default or event of default by or with respect to the Tenant under the Lease, the Landlord may proceed and have right of action solely against either the Guarantors (or any of them) or the Tenant or jointly against the Guarantors (or any of them) and the Tenant.

3. If the Tenant shall become insolvent, shall be adjudicated a bankrupt, or shall file a petition for reorganization, arrangement or similar relief under any present or future provision of any federal or state bankruptcy or similar law, or if any such petition filed by creditors of the Tenant shall be approved by a court, or if the Tenant shall seek a judicial readjustment of the rights of its creditors under any present or future federal or state court, or if a receiver of all or part of its property and assets is appointed by any state or federal court, then, in any of such events, the Guarantors' liability under this Guaranty shall not be affected in any way thereby and, if in any such proceeding the Lease shall be terminated or rejected or the obligations of the Tenant thereunder shall be modified, then, at Landlord's option, the Guarantors shall immediately pay to the Landlord (a) an amount equal to all fixed, contingent and additional rent and other payments which have accrued and remain unpaid as of and including the date of such termination, rejection or modification, plus (b) an amount equal to the then cash value of the fixed, contingent and additional rent and other payments which would have been payable under the Lease for the unexpired portion of the term thereby demised, less the then cash rental value of the Leased Premises for such unexpired portion of the term, together with interest on the amounts designated in clauses (a) and (b) above at the highest rate of interest permitted by law from the date of such termination, rejection or modification to the date of payment.

4. The Guarantors shall not be entitled to make any defense against any claim asserted by the Landlord in any suit or action instituted by the Landlord to enforce this Guaranty or the Lease or to be excused from any liability hereunder which the Tenant could not make or invoke, and the Guarantors hereby expressly waive any defense in law or in equity which is not or would not be available to the Tenant, it being the intent hereof that the liability of the Guarantors hereunder is primary and unconditional.

5. The Guarantors hereby agree that the covenants and provisions contained in the Lease may be altered, extended, changed, modified, renewed, released or cancelled by the Landlord and/or the Tenant with or without release of the Tenant from liability or obligation, all without the consent of the Guarantors, and the Guarantors agree that this Guaranty and the liability of the Guarantors hereunder shall in no way be affected, diminished or released thereby.

6. It is fully understood that until each and every one of the covenants and agreements of this Guaranty is fully performed, the Guarantors' obligations hereunder shall not be released, in whole or in part, by any action or thing which might, but for this provision of this instrument, be deemed a legal or equitable discharge of a surety or guarantor, or by reason of any waiver, extension, renewal, modification, forbearance or delay or any other act or omission of the Landlord or its failure to proceed promptly or otherwise or by reason of any action taken or omitted by the Landlord, whether or not such action taken or omitted by the Landlord, whether or not such action or failure to act varies or increases the risk of, or affects the rights or remedies of the Guarantors, and the Guarantors hereby expressly waive and surrender any defense to the Guarantors' liability hereunder based upon any of the foregoing acts, omissions, things, agreements or waivers of any of them, it being the purpose and intent of the parties hereto that the covenants, agreements and all obligations of the Guarantors hereunder are absolute, unconditional and irrevocable.

7. On or before each March 1 of each calendar year during the term of the Lease, the Guarantors shall deliver to Landlord the Guarantors' financial statements for the immediately preceding calendar year and, within thirty (30) days of written request of Landlord, the Guarantors agree to deliver to Landlord financial statements for the Guarantors dated not more than sixty (60) days prior to the date of such request.

8. In the event it shall be asserted that the Tenant's obligations are void or voidable due to illegal or unauthorized acts by the Tenant in the execution of the Lease, the Guarantors shall nevertheless be liable hereunder to the same extent as the Guarantors would have been if the obligations of the Tenant had been enforceable against the Tenant.

9. In the event suit or action, be brought upon and in connection with the enforcement of this Guaranty, the Guarantors shall pay reasonable attorneys' fees and all court costs incurred by the Landlord.

10. This Guaranty shall be binding upon the heirs, legal representatives, successors and assigns of the Guarantors, and shall inure to the benefit of the heirs, legal representatives, successors and assigns of the Landlord.

11. If any of the Guarantors is a corporation, then the undersigned officer of each such corporation personally represents and warrants that the Board of Directors of each such corporation, in a duly held meeting, has approved this Guaranty and has determined that this Guaranty may reasonably be expected to benefit said corporation.

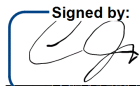
12. The Guarantors agree that this contract is performable in Nacogdoches County, Texas, and waive the right to be sued elsewhere.

Signatures on following page

EXECUTED THIS \_\_\_\_ Day of 3/22/2025 2025.

**GUARANTOR:**

**Dr. Carl Jones**

Signed by:  
  
F7AFBB03F125498...

**By:**

**Name: Dr. Carl Jones**

Address 3610 N University  
Nacogdoches Texas  
75965

STATE OF TEXAS                   §  
   §  
COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ by \_\_\_\_\_.

(Personalized Seal)

\_\_\_\_\_  
Notary Public's Signature

**EXHIBIT I**

**SIGN CRITERIA**

**PLEASE CONTACT LANDLORD FOR ITS OFFICE FRONT CRITERIA FOR THE PREMISES AND CENTER. THE OFFICE FRONT DESIGN AND CONSTRUCTION ARE SUBJECT TO THE PRIOR WRITTEN APPROVAL OF LANDLORD AND THE PROVISIONS OF SECTION 2 OF EXHIBIT D TO THIS LEASE.**



**AMBULATORY SURGICAL CENTER LICENSE**

This is to certify that

**NACOGDOCHES SURGERY CENTER**

3610 NORTH UNIVERSITY DRIVE  
NACOGDOCHES, TX 75965

under the provision of the Health and Safety Code, Chapter 243 and the Ambulatory  
Surgical Center Licensing Rules is hereby licensed.

License Number: 007238

Cecile Young  
Executive Commissioner

A handwritten signature in black ink, appearing to read "Cecile Young", written over a horizontal line.

Expiration Date: 11/30/2025

Must be posted in conspicuous place on premises.  
Non-Transferable

124168

Docusign Envelope ID: 5A517F52-3C27-4C11-B035-6CD12B4B0473

PERSONAL FINANCIAL STATEMENT

INDIVIDUAL INFORMATION					
Individual			Other Party		
Name Dr. Carl Jones			Name		
Residence Address 1077 FM 2664			Residence Address		
City, State & Zip Code Nacogdoches, TX 75961			City, State & Zip Code		
Home Phone #			Home Phone #		
Date of Birth 6/10/1964			Date of Birth		
Social Security # 550-62-1821			Social Security #		
Employer			Employer		
Position / Occupation Physician			Position / Occupation		

STATEMENT OF FINANCIAL CONDITION AS OF:

ASSETS		BALANCE SHEET		LIABILITIES AND NET WORTH	
	\$	Schedule		\$	Schedule
Cash - Commerce Bank / Business First Bank	\$ 1,200,000.00	1	Notes Payable to Banks, Credit Unions, etc. Credit Line	\$ 395,000.00	1
Notes Receivable		2	Notes Payable to Others	\$ -	7
		3	Broker Margin Accounts	\$ -	3
		4	Credit Cards and Revolving Accounts Payable		
Real Estate Personally Owned			Mortgages Payable		
Personal Residences	\$ 650,000.00	5	Land		5
Other Real Estate Owned	\$7,400,000.00	5	Other Real Estate Owned		5
Cash Surrender Value of Life Insurance Policies	\$ 900,000.00	6	Loans Against Life Insurance Policies	\$ -	
IRAs, Keoghs, Profit Sharing and Other Vested Retirement Accounts	\$ 335,000.00		Taxes and Assessments Payable	\$ 200,000.00	
Other Assets - Stock	\$ 44,861.00	7	Car Loans		
Vehicles - BMW, Land Rover	\$ 190,000.00				
Personal Property	\$ 500,000.00		TOTAL LIABILITIES	\$ 595,000.00	
TOTAL ASSETS	\$ 11,219,861.00		NET WORTH	\$ 10,624,861.00	
			TOTAL LIABILITIES AND NET WORTH	\$ 11,219,861.00	

SOURCES OF INCOME:		Annual Expenditures		CONTINGENT LIABILITIES:	
	\$		\$		\$
Salary	750,000	Mortgage/Rent Payments		PLEASE PROVIDE COMPLETE DETAILS ON SCHEDULE H OF THIS FORM FOR ALL CONTINGENT LIABILITIES. IF YOU DO NOT HAVE ANY CONTINGENT LIABILITIES, PLEASE STATE "NONE" AND INITIAL THIS SECTION.	
Salary		Other Mortgage Payments		As Endorser or Co-Maker	
Business Income	300,000	Automobile Loans		On Leases or Contracts	
Rental Income	75,000	Other Installment Loans		Legal Claims	
Dividends and Interest	1,000,000	Credit Card Payments		Provision for Federal Income Taxes	
Gross Real Estate Income		Other accounts		Other Special Debt	
Other Income		Alimony/Child Support		Loan Personal Guarantees	
(Note: Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.)		Other			
TOTAL ANNUAL INCOME:	\$ 2,125,000	Total	\$	TOTAL CONTINGENT LIABILITIES	

OTHER INFORMATION:

(Please provide appropriate details for all "Yes" answers on Schedule 9 of this form and attach any necessary supporting documents.)

Are any assets pledged?

Are you a defendant in any suits or legal actions?

Do you have any outstanding judgments or tax liens? No

Are you a partner or officer in any venture? No

Are you obligated to pay alimony, child support or separate maintenance payments? NO

Have you and your spouse entered into a separate property regime? If so, please provide a copy of the agreement. No

Have you ever made a deed-in-lieu of foreclosure or dation en paiement settlement?

Have you ever been declared bankrupt? No

SIGNATURES AND AUTHORIZATIONS:

Signed by:

SIGNATURE (Individual)

DATE 11/13/2024

SIGNATURE (Individual)

SIGNATURE (Individual)

SIGNATURE (Individual)

SCHEDULE 1: BANKING RELATIONSHIPS

Bank Name and Location	Account / Loan Type	Cash Balance	Loan Balance	Repayment Terms	Collateral
US Bank	Checking	\$ 900,000.00			
	Savings	\$ 40,000.00			

Page 1 of 2

SCHEDULE 2: ACCOUNTS, LOANS AND NOTES RECEIVABLE



## **Addendum E**

### **Comparable Data**



## **Improved Sales**

## ADDENDA

### Office Sale Comparable 1

#### Nacogdoches Medical Partners

##### Location Information

Location	3328 North University Drive Nacogdoches, TX
Market	Valuation Properties
Submarket	Valuation Office
County	Nacogdoches
APN	202637



##### Physical Property Summary

Property Type	Office (Medical/Hospital Campus)
Gross Building Area	8,000 SF
Rentable Area	8,000 SF
Land Acres	1.95 Acres
Land SF	84,985 SF
Land to Building Ratio	10.62
No. of Buildings	1
No. of Stories	1
Year Built (Renovated)	2023
Construction	Masonry
Condition	Good
Parking	
Investment Class	Class B
Elevators	

##### Financial Data

Occupancy	100.0%
Property Operations Status	Stabilized Operations

##### Financial Indicators

NOI	\$162,302
Derived Cap Rate	6.00%
Reported Cap Rate	6.00%

##### Sale Data

Transaction Type	Closed
Date	June 2, 2025
Marketing Time	N/A
Grantor	DP NAC Medical LP
Grantee	Michbesa LLC
Document No.	2025-3687
Price	\$2,705,000
Financing Terms	
Price Adjustments For:	
Financing	\$0
Conditions of Sale	\$0
Other	\$0
Adjusted Price	\$2,705,000
Price Per SF	\$338.13

##### Comments

The property is an 8,000 square foot medical office building located at 3328 North University Drive in Nacogdoches, TX. The property was built in 2022 and is a Class B asset. The buyer was Michbesa LLC, and the seller was DP NAC Medical LP, Durkin Properties LLC Partner. The medical office building was 100% leased to Tenet Health on a 10.5-year lease. The property was listed for sale for \$2,705,000 with an in-place overall capitalization rate of 6.00%. The broker reported the property sold near the asking price but could not elaborate further due to confidentiality agreement.

## ADDENDA

### Office Sale Comparable 2

#### Eye Consultants of Texas

##### Location Information

Location	2201 Westgate Plaza Grapevine, TX
Market	TX - Dallas/Fort Worth
Submarket	Grapevine/Southlake
County	Tarrant
APN	41432703, 41448847



##### Physical Property Summary

Property Type	Office (Medical/Off Campus)
Gross Building Area	17,724 SF
Rentable Area	17,724 SF
Land Acres	3.02 Acres
Land SF	131,466 SF
Land to Building Ratio	7.42
No. of Buildings	1
No. of Stories	1
Year Built (Renovated)	2010
Construction	Masonry
Condition	Average
Parking	Surface
Investment Class	Class B
Elevators	

##### Financial Data

Occupancy	100.0%
Property Operations Status	Stabilized Operations

##### Financial Indicators

NOI	\$710,500
Derived Cap Rate	7.25%
Reported Cap Rate	7.25%

##### Sale Data

Transaction Type	Closed
Date	February 20, 2025
Marketing Time	N/A
Grantor	EYE CONSULTANTS PROPERTIES LP
Grantee	FLAGSHIP CPT GRAPEVINE OWNER LP
Document No.	D225031014
Price	\$9,800,000
Financing Terms	Cash to Seller
Price Adjustments For:	
Financing	\$0
Conditions of Sale	\$0
Other	\$0
Adjusted Price	\$9,800,000
Price Per SF	\$552.92

##### Comments

This comparable is the sale of a 17,724-SF ambulatory surgery center, known as LoneStar Ambulatory Surgical Center, on the north side of Westgate Plaza, north of State Highway 121, in Grapevine, TX. The improvements are situated on a 3.0 acre site, were built in 2009 and are not in a designated flood hazard area. The property sold in February 2025 for \$9,800,000 or \$553 PSF, a sale-leaseback transaction with a new 10-year lease. The 10-year lease had a starting rent of \$40 PSF with 2.5% annual bumps. The reported cap rate was 7.25%.

## ADDENDA

### Office Sale Comparable 3

#### Momentum Spine & Joint

##### Location Information

Location	950 North Davis Drive Arlington, TX
Market	TX - Dallas/Fort Worth
Submarket	North Arlington/Grand Prairie
County	Tarrant
APN	05311349



##### Physical Property Summary

Property Type	Office (Medical/Off Campus)
Gross Building Area	15,110 SF
Rentable Area	15,110 SF
Land Acres	1.13 Acres
Land SF	49,223 SF
Land to Building Ratio	3.26
No. of Buildings	1
No. of Stories	1
Year Built (Renovated)	1985 (2021)
Construction	Masonry
Condition	Average
Parking	Covered and Surface Parking
Investment Class	Class B
Elevators	

##### Financial Data

Source	Listing/Single-Tenant
Occupancy	100.0%
Property Operations Status	Stabilized Operations

##### Financial Indicators

NOI	\$453,300
Derived Cap Rate	7.56%
Reported Cap Rate	N/A

##### Sale Data

Transaction Type	Closed
Date	August 9, 2024
Marketing Time	N/A
Grantor	TKEN Holdings, LLC
Grantee	Alliance 950 North Davis, LLC
Document No.	D224142287
Price	\$6,000,000
Financing Terms	Cash to Seller
Price Adjustments For:	
Financing	\$0
Conditions of Sale	\$0
Other	\$0
Adjusted Price	\$6,000,000
Price Per SF	\$397.09

##### Comments

This comparable is a single-tenant medical office located along the west side of Davis Drive on a 1.13-acre site. The building was constructed in 1985, renovated in 2021, and reported to be in average condition at the time of sale. The 3-mile demographics are: 124,791 (Population), \$49,522 (Median HH Income), population growth '23-'28 (5.95%). This comparable was sold in August 2024 for \$6,000,000 (\$397.09 per SF). This was a sale-leaseback transaction as the seller (Momentum Spine & Joint) leased the entire property on a 10-year lease which commenced at close of escrow. The reported NOI of \$453,300 equates to a capitalization of 7.56%.

## ADDENDA

### Office Sale Comparable 4

#### Medical Office Building

##### Location Information

Location	801 East Debbie Lane Mansfield, TX
Market	Valuation Properties
Submarket	Valuation Office
County	Tarrant
APN	42083298



##### Physical Property Summary

Property Type	Office (Medical/Off Campus)
Gross Building Area	11,494 SF
Rentable Area	11,494 SF
Land Acres	1.92 Acres
Land SF	83,722 SF
Land to Building Ratio	7.28
No. of Buildings	1
No. of Stories	1
Year Built (Renovated)	2017
Construction	Masonry
Condition	Average
Parking	Surface
Investment Class	Class B
Elevators	

##### Financial Data

Occupancy	100.0%
Property Operations Status	Stabilized Operations

##### Financial Indicators

NOI	N/A
Derived Cap Rate	N/A
Reported Cap Rate	N/A

##### Sale Data

Transaction Type	Closed
Date	August 1, 2024
Marketing Time	N/A
Grantor	801 E Debbie Lane LLC
Grantee	Ctent Debbie Lane LLC
Document No.	D224138113
Price	\$4,923,056
Financing Terms	Cash to Seller - Buyer Obtained Financing
Price Adjustments For:	
Financing	\$0
Conditions of Sale	\$0
Other	\$0
Adjusted Price	\$4,923,056
Price Per SF	\$428.32

##### Pro Forma Stabilized Operations

NOI	\$327,579
Derived Cap Rate	6.65%
Verification	Secondary Verification

##### Comments

The comparable is a multitenant one-story office building located at the East Debbie Lane in Mansfield, TX on a 1.922-acre site. The building was constructed in 2017 and reported to be in average condition at the time of sale. The 3-mile demographics are: 95,379 (Population), \$ 97,399 (Median HH Income), population growth '24-'29 (5.34%). This comparable was sold in August 2024 for \$ 4,923,056 (\$428.32 SF). The seller was 801 E Debbie Lane LLC and the buyer was Ctent Debbie Lane LLC. This comparable represents the acquisition of a 11,494 SF medical office building located at 801 East Debbie Lane in Mansfield, TX. The property sold in August 2024 for \$4,923,056 or \$428.32/SF. The improvements were built in 2017 with masonry exterior walls. The improvements were in average condition at the time of sale.

## ADDENDA

### Health Care Sale Comparable 5

#### American Surgery Center

##### Location Information

Location	12838 Vista Del Norte
	San Antonio, TX
Market	TX - San Antonio
Submarket	North Central
County	Bexar
APN	17087-018-0060



##### Physical Property Summary

Property Type	Health Care (Ambulatory Surgery Center)
Gross Building Area	11,300 SF
Rentable Area	11,300 SF
Land Acres	1.42 Acres
Land SF	61,768 SF
Land to Building Ratio	5.47
No. of Buildings	1
No. of Stories	2
Year Built (Renovated)	2019
Construction	Metal/Masonry
Condition	Good
Parking	Surface Parking
Investment Class	Class B
Elevators	

##### Financial Data

Source	Secondary Verification/Single-Tenant
Occupancy	100.0%
Property Operations Status	Stabilized Operations

##### Financial Indicators

NOI	\$427,460
Derived Cap Rate	6.38%
Reported Cap Rate	N/A

##### Sale Data

Transaction Type	Closed
Date	April 25, 2024
Marketing Time	N/A
Grantor	MTRF San Antonio TX, LLC
Grantee	Blazon, LTD
Document No.	20240077776
Price	\$6,700,000
Financing Terms	Cash to Seller
Price Adjustments For:	
Financing	\$0
Conditions of Sale	\$0
Other	\$0
Adjusted Price	\$6,700,000
Price Per SF	\$592.92

##### Comments

The comparable is a single-tenant medical facility located at the intersection of Vista Del Norte and Wurzbach Parkway on a 1.42-acre site. The building was constructed in 2019 and reported to be in good condition at the time of sale. The 3-mile demographics are: 92,087 (Population), \$69,369 (Median HH Income), population growth '23-'28 (6.46%). This comparable was traded in April 2024 for a reported sale price of \$6,700,000 (\$593 per SF). The property is 100% leased to American Surgery Center. The reported NOI of \$427,460 equates to a capitalization rate of 6.38%.

## ADDENDA

### Health Care Sale Comparable 6

#### San Marcos Surgery Center

##### Location Information

Location	1891 Medical Parkway San Marcos, TX
Market	TX - Austin
Submarket	Outside Metro Area
County	Hays
APN	R91307



##### Physical Property Summary

Property Type	Health Care (Ambulatory Surgery Center)
Gross Building Area	11,978 SF
Rentable Area	11,978 SF
Land Acres	3.05 Acres
Land SF	132,858 SF
Land to Building Ratio	11.09
No. of Buildings	1
No. of Stories	1
Year Built (Renovated)	2010
Construction	Masonry
Condition	Average
Parking	Surface Parking
Investment Class	Class B
Elevators	

##### Financial Data

Source	Listing/Single-Tenant
Occupancy	100.0%
Property Operations Status	Stabilized Operations

##### Financial Indicators

NOI	\$446,660
Derived Cap Rate	7.70%
Reported Cap Rate	N/A

##### Sale Data

Transaction Type	Closed
Date	December 8, 2023
Marketing Time	N/A
Grantor	San Marcos Surgical Land LLC
Grantee	1891 Medical Pkwy LLC
Document No.	44340
Price	\$5,800,000
Financing Terms	Cash to Seller - Buyer Obtained Financing
Price Adjustments For:	
Financing	\$0
Conditions of Sale	\$0
Other	\$0
Adjusted Price	\$5,800,000
Price Per SF	\$484.22

##### Comments

This comparable is a single-tenant surgery center located along the east side of Medical Parkway on a 3.05-acre site. The building was constructed in 2010 and reported to be in average condition at the time of sale. The 3-mile demographics are: 52,043 (Population), \$37,283 (Median HH Income), population growth '23-'28 (30.03%). This comparable was sold in August 2024 for \$5,800,000 (\$484 per SF). The facility is 100% leased by San Marcos Surgery Center on a 4-year renewal lease. The reported NOI of \$446,660 equates to a capitalization of 7.70%.

## **Lease Comparables**



ADDENDA

Office Rental Survey Comparable 1  
Eye Consultants of Texas

Location Information	
Location	2201 Westgate Plaza Grapevine, TX
Market	TX - Dallas/Fort Worth
Submarket	Grapevine/Southlake
County	Tarrant
APN	41432703, 41448847



Physical Property Summary	
Property Type	Office (Medical/Off Campus)
Gross Building Area	17,724 SF
Rentable Area	17,724 SF
No. of Stories	1
Max Ceiling Height (Feet)	N/A
Year Built (Renovated)	2010
Construction	Masonry
Condition	Average
Parking	Surface
Investment Class	Class B
Elevators	0

Lease Availability Details	
Survey Date	Jun-2025
Overall Occupancy at Survey	100.0%
Leasing Agent	0
Company	Brown Gibbons Lang & Com

Lease Summary						
Start Date - Term	Tenant Name	Lease Status: Lease Size (SF)	Base Rent/SF	Reimb.	Rent Steps	Free Rent & TI Allowance
2/20/25 - 120 Mos.	Eye Consultants of Texas	Signed Lease: 17,724	\$40.00	Triple Net	2.5% Annual	No Free Rent; No TI

Comments  
The lease was a 10-year sale-leaseback with a starting rent of \$40 PSF, NNN and 2.5% annual rent escalations.

## ADDENDA

### Office Rental Survey Comparable 2

2200 Park Bend Dr

#### Location Information

Location	2200 Park Bend Drive
	Austin, TX
Market	TX - Austin
Submarket	North
County	Travis
APN	702802, 702803



#### Physical Property Summary

Property Type	Office (Medical/Off Campus)
Gross Building Area	20,000 SF
Rentable Area	20,000 SF
Number of Units	2
Average Unit Size	10,000 SF
No. of Stories	3
Max Ceiling Height (Feet)	N/A
Year Built (Renovated)	2004
Construction	Metal/Masonry
Condition	Average
Parking	Surface and Covered Parking
Investment Class	Class B
Elevators	2

#### Lease Availability Details

Survey Date	May-2025
Overall Occupancy at Survey	100.00%
Leasing Agent	Hunter Jones
Company	Transwestern Real Estate Services

#### Lease Summary

Start Date - Term	Tenant Name	Lease Status: Lease Size (SF)	Base Rent/SF	Reimb.	Rent Steps	Free Rent & TI Allowance
9/1/24 - 60 Mos.	Capri MSO, LLC (Austin Thyroid & Endocrinology)	Signed Lease: 10,000	\$36.00	Triple Net	3.00% Per Annum	No Free Rent; No TI

#### Comments

This comparable is a two-tenant medical office building located along the north side of Park Bend Drive on a 1.42-acre site. The building was constructed in 2004 and reported to be in average condition. The 3-mile demographics are: 124,041 (Population), \$70,340 (Median HH Income), population growth '23-'28 (8.23%). The facility is 100% leased to two tenants, Austin Thyroid & Endocrinology, and Austin Premier Surgical Center who each have 5 and 7 years of remaining term, respectively.

ADDENDA

Office Rental Survey Comparable 3

Momentum Spine & Joint

Location Information

Location	950 North Davis Drive Arlington, TX
Market	TX - Dallas/Fort Worth
Submarket	North Arlington/Grand Prairie
County	Tarrant
APN	05311349



Physical Property Summary

Property Type	Office (Medical/Off Campus)
Gross Building Area	15,110 SF
Rentable Area	15,110 SF
Number of Units	1
Average Unit Size	15,110 SF
No. of Stories	1
Max Ceiling Height (Feet)	N/A
Year Built (Renovated)	1985 (2021)
Construction	Masonry
Condition	Average
Parking	Covered and Surface Parking
Investment Class	Class B
Elevators	0

Lease Availability Details

Survey Date	Jan-2025
Overall Occupancy at Survey	100.00%
Leasing Agent	0
Company	Matthews Real Estate

Lease Summary

Start Date - Term	Tenant Name	Lease Status: Lease Size (SF)	Base Rent/SF	Reimb.	Rent Steps	Free Rent & TI Allowance
8/9/24 - 120 Mos.	Momentum Spine	Signed Lease: 15,110	\$30.00	Triple Net	None	No Free Rent; No TI

Comments

This comparable is a single-tenant medical office located along the west side of Davis Drive on a 1.13-acre site. The building was constructed in 1985, renovated in 2021, and reported to be in average condition at the time of sale. The 3-mile demographics are: 124,791 (Population), \$49,522 (Median HH Income), population growth '23-'28 (5.95%). This comparable represents a signed lease for 15,110 SF of medical office space located at 950 North Davis Drive in Arlington, Texas. The ten-year lease was signed August 2024 by Momentum Spine at \$30.00/SF/Yr. NNN. The lease has fixed percentage yearly rent bumps.

ADDENDA

Health Care Rental Survey Comparable 4

San Marcos Surgery Center

Location Information

Location	1891 Medical Parkway San Marcos, TX
Market	TX - Austin
Submarket	Outside Metro Area
County	Hays
APN	R91307



Physical Property Summary

Property Type	Health Care (Ambulatory Surgery)
Gross Building Area	11,978 SF
Rentable Area	11,978 SF
Number of Units	1
Average Unit Size	11,978 SF
No. of Stories	1
Max Ceiling Height (Feet)	N/A
Year Built (Renovated)	2010
Construction	Masonry
Condition	Average
Parking	Surface Parking
Investment Class	Class B
Elevators	0

Lease Availability Details

Survey Date	Aug-2024
Overall Occupancy at Survey	100.00%
Leasing Agent	Primary Leasing
Company	Primary Leasing

Lease Summary

Start Date - Term	Tenant Name	Lease Status: Lease Size (SF)	Base Rent/SF	Reimb.	Rent Steps	Free Rent & TI Allowance
7/1/23 - 48 Mos.	San Marcos Surgery Center	Signed Lease: 11,978	\$37.29	Net	2.00% Per Annum	No Free Rent; No TI

Lease Comments: San Marcos Surgery Center signed lease of 11,978 SF healthcare space at a rental rate of \$37.29.00/NNN PSF/Yr.

Comments

This comparable is a single-tenant surgery center located along the east side of Medical Parkway on a 3.05-acre site. The building was constructed in 2010 and reported to be in average condition. The 3-mile demographics are: 52,043 (Population), \$37,283 (Median HH Income), population growth '23-'28 (30.03%). This comparable was sold in August 2024 for \$5,800,000 (\$484 per SF). The facility is 100% leased by San Marcos Surgery Center on a 4-year renewal lease. The reported NOI of \$446,660 equates to a capitalization of 7.70%.

ADDENDA

Office Rental Survey Comparable 5

Nacogdoches Medical Partners

Location Information

Location	3328 North University Drive Nacogdoches, TX
Market	Valuation Properties
Submarket	Valuation Office
County	Nacogdoches
APN	202637



Physical Property Summary

Property Type	Office (Medical/Hospital)
Gross Building Area	8,133 SF
Rentable Area	8,133 SF
No. of Stories	1
Max Ceiling Height (Feet)	N/A
Year Built (Renovated)	2023
Construction	Masonry
Condition	Good
Parking	0
Investment Class	Class B
Elevators	0

Lease Availability Details

Survey Date	Jun-2025
Overall Occupancy at Survey	100.00%
Leasing Agent	0
Company	CBRE

Lease Summary

Start Date - Term	Tenant Name	Lease Status: Lease Size (SF)	Base Rent/SF	Reimb.	Rent Steps	Free Rent & TI Allowance
7/19/22 - 126 Mos.	Tenet Health	Signed Lease: 8,000	\$19.50	Triple Net	2% Annual	No Free Rent; No TI

Comments

The tenant executed a 10.5-year lease with a starting rent of \$19.50 PSF. The triple net lease includes 2% annual escalations.

## **Addendum F**

### **Appraiser Qualifications and Licenses**



**(Eric) Hoi  
Ting Chan**  
MAI

*Senior Vice President  
Appraisal Valuation - Dallas*  
m 626-823-7712  
Eric.Chan@nmrk.com

**YEARS OF  
EXPERIENCE**

**15+**

**AREAS OF  
SPECIALTY**

- Valuation & Advisory
- Office
- Retail
- Industrial & Logistics
- Flex/R&D
- Complex Mixed-Use Assets
- Property Tax Appeals

(Eric) Hoi Ting Chan, MAI joined Newmark Valuation & Advisory in 2025 as Senior Vice President of Valuation & Advisory Services for the Dallas office.

Eric has been active as a real estate consultant and valuation professional since 2007. He has prepared valuations and market analyses across a broad range of property types that include regional malls, power/community centers, neighborhood centers, strip retail centers, complex mixed-use developments, office, industrial, apartments, vacant land, hotels/motels, golf courses, car wash facilities, convenience stores and service stations. His experience spans across institutional-grade and noninstitutional-grade assets primarily in California and Texas for clients that include pension funds, life companies, REITs, banks, attorneys, developers, and corporations.

From 2010 to 2024 Eric worked at NPV Advisors, Inc. During his time at NPV, Eric last served as Director in charge of the Dallas office and provided valuation services for all major property types in the Dallas metroplex and the Oklahoma region. He began his tenure with NPV as a Senior Associate in their Newport Beach California office.

Prior to his career at NPV, Eric spent three years with TMG Realty Advisors in Los Angeles, where he began his appraisal career as Appraisal Trainee and last served as Senior Associate.

**Licenses and Designations**

- MAI designation, Appraisal Institute
- Certified general real estate appraiser, states of Texas, California, and Oklahoma

**Education**

Eric earned a Bachelor of Business Administration degree with a concentration in Finance and minor in Economics from the California State University, Fullerton.



## Certified General Real Estate Appraiser

Appraiser: **Hoi Ting Chan**

License #: **TX 1380656 G**

License Expires: **10/31/2026**

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

For additional information or to file a complaint please contact TALCB at [www.talcb.texas.gov](http://www.talcb.texas.gov).

  
**Chelsea Buchholtz**  
Executive Director





# David O. Thibodeaux

MAI

*Senior Managing Director  
Co-Market Leader – TX, LA*

t 512-676-5538  
m 512-619-0341  
david.thibodeaux@ngkf.com

## YEARS OF EXPERIENCE

# 25+

## AREAS OF SPECIALTY

Industrial  
Office  
Retail  
Condominium Sellout  
Complex Mixed-Use Assets  
Property Tax Appeals  
Expert Witness Testimony  
Appraisal Review Services

David Thibodeaux MAI, is an accomplished commercial real estate professional and manager with over 25 years of experience. David joined Newmark Valuation & Advisory in 2017 as Senior Managing Director of Valuation & Advisory Services for the South Central Region. The region includes Texas and Louisiana.

David has performed consulting, review and appraisal services on most significant commercial real estate transactions and development projects in the Texas. Additionally, he has provided expert witness testimony in US Bankruptcy Court, US District Court, various County District Courts and in various County Property Tax Appraisal disputes. His experience ranges across property lines and has acted to establish his reputation as a prominent player in the South Central Region.

From 1997 to 2017 David worked at CBRE, Inc. During his time at CBRE David served as Director of the Financial Consulting Group (FCG), Managing Director of Valuation and Advisory Services (VAS) and First Vice President in charge of The Investment Properties Team.

Prior to his career at CBRE, David spent three years with National Facilities Corporation as an Acquisition Analyst and served in positions as a commercial real estate analyst with Lee Burns and Company and The Harris County Appraisal District.

### Licenses and Designations

- MAI designation, Appraisal Institute
- Certified general real estate appraiser, states of Texas and Louisiana
- Licensed Real Estate Agent, state of Texas

### Education

David earned a Bachelor of Business Administration degree with a concentration in Finance and Accounting from Lamar University.

DAVID ODEUS THIBODEAUX  
2708 SOUTH 5TH STREET  
UNIT A  
AUSTIN, TX 78704



## **Certified General Real Estate Appraiser**

**Appraiser: David Odeus Thibodeaux**

**License #: TX 1328395 G**

**License Expires: 01/31/2027**

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

For additional information or to file a complaint please contact TALCB at [www.talcb.texas.gov](http://www.talcb.texas.gov).

A handwritten signature in blue ink, reading 'Chelsea Buchholtz', is positioned above the printed name and title.

**Chelsea Buchholtz  
Executive Director**



**Paul  
Tibbit**  
JD, MAI

*Senior Vice President  
Multifamily Team Lead - North  
Texas*

m 214-534-5001  
paul.tibbit@nrmk.com

**YEARS OF  
EXPERIENCE**

**18+**

**AREAS OF  
SPECIALTY**

Traditional Multifamily  
Affordable Multifamily  
Condominium Sellout  
Expert Witness Testimony  
Appraisal Review

Paul Tibbit, JD, MAI currently serves as Senior Vice President and North Texas Multifamily Team Lead at Newmark Valuation & Advisory's Dallas, Texas office. He is a highly accomplished valuation professional with nearly two decades of experience in the North Texas region and is recognized as a leading expert in his field.

Based in Dallas, Texas, Paul is responsible for spearheading the development of multifamily appraisal business in the region. His extensive background in the valuation of apartment properties, including market-rate, affordable, mixed-use, and build-for-rent housing, has equipped him with a deep understanding of the complexities of this asset class.

Prior to joining Newmark, Paul held key positions at CBRE, where he served as a team lead for both the regional Seniors Housing practice group from 2014 to 2019, and the regional Multifamily practice group from 2019 to 2023. During his tenure, he played a pivotal role in driving the success of these teams and establishing CBRE as a leader in the industry.

Throughout his career, Paul has appraised numerous properties for a wide range of clients, including financial institutions, public/private funds, developers, and investors. His expertise extends to complex loan valuations, consulting assignments for the Texas Department of Housing and Community Development, and valuation assignments across various property types in over 20 states. He has also provided expert witness testimony in U.S. Bankruptcy Court and actively participated in arbitration proceedings between lenders.

Before venturing into commercial real estate, Paul practiced law as a licensed attorney in the State of Texas, specializing in civil matters and estate planning. Additionally, he shared his legal knowledge by teaching LSAT preparation courses for aspiring law students.

With his exceptional skills, extensive experience, and unwavering dedication to his profession, Paul Tibbit continues to make significant contributions to the field of valuation and advisory services in the North Texas region.

**Licenses and Designations**

- MAI designation, Appraisal Institute
- Certified general real estate appraiser, state of Texas
- Licensed attorney, State Bar of Texas

**Education**

Tibbit earned a Juris Doctorate from Southern Methodist University, Dedman School of Law in 2005. He received a Bachelor of Science degree in Genetics, with a minor in Biochemistry from Texas A&M University in 2001.

**NEWMARK**





## Certified General Real Estate Appraiser

Appraiser: **PAUL HILMAN TIBBIT**

License #: **TX 1380005 G**

License Expires: **10/31/2026**

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**Chelsea Buchholtz**  
Executive Director