

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF MARYLAND

SECURITIES AND EXCHANGE )  
COMMISSION, )  
 )  
Plaintiff, )  
 )  
v. )  
 )  
KEVIN B. MERRILL, et al., )  
 )  
Defendants. )

Case No.: 1:18-cv-02844-RDB

**RECEIVER GREGORY S. MILLIGAN’S MOTION FOR AUTHORIZATION OF SALE OF  
REAL PROPERTY LOCATED AT 2801 PARAMOUNT BLVD., AMARILLO, TX 79109**

This Motion for Sale of Real Property (“Sale Motion”) seeks authorization to sell real property located at 2801 Paramount Blvd., Amarillo, TX 79109 (the “Real Property”). If you oppose the sale identified in this Sale Motion, you should immediately contact the undersigned counsel for Receiver Gregory S. Milligan (the “Receiver”). If you and the Receiver cannot agree, you must file a written objection to the proposed sale within thirty (30) days of the filing of this Sale Motion. Your objection must state why the proposed sale should not be approved by the Court and whether the objecting party has a proposed buyer willing to purchase the Real Property for an amount that exceeds the Purchase Price set forth below. If no party files a timely objection, the proposed sale may be approved by the Court without a hearing, thereby authorizing the Receiver to close the sale as soon as practicable.

Receiver Gregory S. Milligan, with the consent of the Securities and Exchange Commission (the “SEC”) and the Office of the United States Attorney (the “U.S. Attorney’s Office”), respectfully files this Sale Motion for authorization to sell the real property located at 2801 Paramount Blvd., Amarillo, TX 79109 (the “Real Property”), pursuant to the procedures for the sale of the residential real property held by the Receiver. See Dkt. No. 189. The facts and circumstances supporting this Sale Motion are set forth in the Declaration of Gregory S.

Milligan (the “Milligan Declaration”), which is attached hereto as **Exhibit A**. In further support of this Sale Motion, the Receiver states as follows:

### I. BACKGROUND

1. On August 6, 2019, the Receiver filed the Motion for Approval of Procedures for Sale of Real Property and Retention of Coldwell Banker Commercial Amarillo as Broker (the “Coldwell Motion”) to obtain Court approval to market and sell the Real Property in the Receivership Estate. *See* Dkt. No. 185.

2. On August 12, 2019, the Court entered an Order granting the Coldwell Motion (the “Order”), which established the procedures for the sale of the Real Property (the “Real Property Sales Procedures”). *See* Dkt. No. 189.

3. The Real Property is owned or held in the name of Defendant Jay B. Ledford (“Ledford”).

4. Pursuant to the Real Property Sales Procedures, the Receiver retained Coldwell Banker Commercial Amarillo (“Coldwell Banker”) and began marketing the Real Property for sale. *See* Milligan Declaration at ¶ 6.

5. The initial listing price for the Real Property was \$295,000.00. *See id.* at ¶ 7.

6. After diligently marketing the Real Property, Coldwell Banker received an offer from Gallaway Emerson, LLC (the “Buyer”) to purchase the Real Property for \$175,000.00 (the “Purchase Price”), which is within the range of appraised values for the Real Property. *See id.* at ¶ 8. A copy of the Commercial Contract – Improved Property (the “Contract”) is attached as **Exhibit 1** to the Milligan Declaration.

7. Pursuant to the Real Property Sales Procedures, the Receiver believes a private sale of the Real Property pursuant to the terms of the Contract will yield a higher return than a public auction. *See id.* at ¶ 9.

8. Pursuant to 28 U.S.C. § 2001, the Receiver obtained three appraisals of the Real Property from disinterested appraisers. *See id.* at ¶ 10.

9. The first appraisal was performed by Jeremy Basket of the Baskett Appraisal Company (the “Baskett Appraisal”), which concluded the present market value of the Real Property was \$245,000.00 as of July 31, 2019. *See id.* at ¶ 11. A copy of the Baskett Appraisal is attached as **Exhibit 2** to the Milligan Declaration.

10. The second appraisal was performed by John B. Dudley of Gaut Appraisal Service (the “Dudley Appraisal”), which concluded the present market value of the Real Property was \$175,000.00 as of August 19, 2019. *See id.* at ¶ 12. A copy of the Dudley Appraisal is attached as **Exhibit 3** to the Milligan Declaration.

11. The third appraisal was performed by Steve Rogers of the Steve Rogers Company (the “Rogers Appraisal”) (the Baskett Appraisal, Dudley Appraisal, and Rogers Appraisal are collectively, the “Appraisals”), which concluded the present market value of the Real Property was \$145,000.00 as of August 9, 2019. *See id.* at ¶ 13. A copy of the Rogers Appraisal is attached as **Exhibit 4** to the Milligan Declaration.

12. The Purchase Price for the sale proposed by the Receiver is within the range of the appraised values of the Real Property. *See id.* at ¶ 14.

13. The Receiver believes that the sale of the Real Property to the Buyer at this time pursuant to the terms of the Contract is in the best interest of the Receivership Estate<sup>1</sup> to maximize the recovery and preservation of Receivership Assets. *See id.* at ¶ 15.

14. If approved by the Court, the proposed 6% commission of \$10,500.00 (the “Commission”) would be paid 50% to Coldwell Banker and 50% to the Buyer’s broker and out of the Purchase Price at closing. *See id.* at ¶ 16.

15. Additionally, if approved by the Court, the sale of the Real Property would also incur customary closing costs for taxes and other government fees in the approximate amount of \$20,981.90 to be paid at closing out of the Purchase Price. *See id.* at ¶ 17. A copy of the draft Settlement Statement is attached to the Milligan Declaration as **Exhibit 5**.

## II. REQUESTED RELIEF

16. The Receiver seeks Court authorization to sell the Real Property to the Buyer for the Purchase Price and pursuant to the other terms and conditions described in this Sale Motion. Pursuant to the Order, the Receiver also seeks Court authorization to pay the Commission, Administrative Fee, and other customary closing costs out of the Purchase Price. *See* Dkt. No. 137 ¶ 6.

17. The Purchase Price for the sale proposed by the Receiver is within the range of the appraised values of the Real Property. *See* Milligan Declaration at ¶ 14.

18. The Receiver believes a private sale of the Real Property will yield a higher sale price than a public auction. *See id.* at ¶ 15.

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<sup>1</sup> Capitalized terms herein shall have the same meaning as used in the First Amended Order Appointing Temporary Receiver (the “Receivership Order”) (Dkt. No. 62) unless otherwise noted.

19. In the Receiver's business judgment, the Commission proposed by Coldwell Banker is fair market value for such services and will result in a net benefit to the Receivership Estate and will reduce the administrative cost to the Receivership Estate. Pursuant to the Order, the Receiver seeks authorization to pay these fees in connection with the sale of the Real Property. If Coldwell Banker was required to submit fee applications, the burden of preparing those fee applications would fall on the Receiver's professionals and would increase the burden on the Receivership Estate. Accordingly, the Receiver is requesting final approval for payment of Coldwell Banker's Commission and Administrative Fee, along with all other customary closing costs, out of the Purchase Price at closing without need of further Court approval. *See id.* at ¶ 18.

20. Pursuant to the Real Property Sales Procedures, this Sale Motion will be served on all Known Parties of Interest. As used in this Sale Motion, the term "Known Parties of Interest" shall mean: (i) all counsel and/or pro se parties of record who have registered to receive electronic service; (ii) all parties of record in this matter who have not registered to receive electronic service; and (iii) any individuals or entities who hold a recorded lien on the Real Property. Any Known Parties of Interest who have registered to receive electronic service shall receive a copy of this Sale Motion through the Court's CM/ECF filing system. All other Known Parties of Interest shall receive a copy of the Sale Motion through regular U.S. Mail. The Sale Motion will act as formal legal notice of the proposed sale and will require all Known Parties of Interest with objections to the proposed sale to timely respond to this Sale Motion or be deemed to consent to the sale. The Receiver will also post a copy of this Sale Motion and proposed order on the Receiver's website for this case, [www.merrill-ledford.com](http://www.merrill-ledford.com), to provide adequate notice to the public of the proposed sale.

21. Pursuant to the Real Property Sales Procedures, any party, entity, or person asserting an objection to this Sale Motion shall file its objection within thirty (30) days of the filing of the Sale Motion. In the event an objection is filed to this Sale Motion, such objecting party shall state why the proposed sale should not be approved by the Court and whether the objecting party has a proposed buyer who is willing to purchase the Real Property for an amount that exceeds the proposed Purchase Price. The Receiver's response to any objection to this Sale Motion shall be due within fourteen (14) days of the date the objection was filed with the Court. If the Receiver fails to respond to the objection, the objection shall be granted and this Sale Motion shall be denied. If the Receiver files a response, the Court may thereafter determine whether a hearing is necessary to (i) approve the sale, (ii) sustain the objection, or (iii) order a public auction with the proposed Buyer and terms under the Sale Motion to act as a "stalking horse" bid, subject to higher and better offers.

22. Pursuant to the Real Property Sales Procedures, if no objection is filed, or if the Court approves the sale subsequent to an objection, the Receiver's sale of the Real Property shall be free and clear of all liens, claims, and encumbrances, unless the Court orders that such liens, claims, or encumbrances shall attach to the proceeds of such sale. All allowed claims shall attach to the proceeds of the sale of the Real Property without need for further Court order. If any party asserts a lien, claim, or encumbrance on the Real Property, such sale may still go forward to closing, with a determination of the extent, validity, and/or priority of the alleged lien, claim, or encumbrance to be made by the Court at a later date.

23. Pursuant to the Order, the net proceeds of the sale of the Real Property will be held in an interest-bearing account maintained by the Receiver pending final resolution of this SEC Action or further Order of this Court.

### III. CONCLUSION

WHEREFORE, the Receiver respectfully requests that this Court enter an Order: (i) granting this Sale Motion; (ii) authorizing the Receiver to sell the Real Property to the Buyer free and clear of liens, claims, and encumbrances (with such liens, claims, and encumbrances, if any, to attach to the sales proceeds) for the Purchase Price and pursuant to the other terms disclosed in this Sale Motion; (iii) authorizing Coldwell Banker to receive the Commission at closing from the Purchase Price, which will be shared equally with the Buyer's broker, plus the Administrative Fee; (iv) authorizing the Receiver to pay other customary closing costs out of the Purchase Price at closing; and (v) granting such other relief as the Court deems just and proper.

Date: October 23, 2019.

Respectfully Submitted,

/s/ Lynn H. Butler

Lynn H. Butler, *pro hac vice*  
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*Counsel for Receiver Gregory S. Milligan*

**CERTIFICATE OF SERVICE**

On October 23, 2019, I electronically submitted the foregoing document with the clerk of the court of the U.S. District Court for the District of Maryland, using the electronic case filing system of the court. I hereby certify that I have served all counsel and/or pro se parties of record electronically through the Court's CM/ECF filing system for all parties who have registered to receive electronic service. Additionally, the foregoing document was served on the following parties not registered for Court's CM/ECF filing system as indicated below:

**Defendant Kevin B. Merrill (via U.S. Mail):**

Kevin B. Merrill  
Harford County Detention Center, #1335278  
1030 Rock Spring Rd.  
Bel Air, MD 21014

**Defendant Jay B. Ledford (via U.S. Mail):**

Jay B. Ledford, #1563752  
Howard County Department of Corrections  
7301 Waterloo Road  
Jessup, MD 20794

**Criminal Counsel for Defendant Kevin B. Merrill (via E-Mail and U.S. Mail):**

Elizabeth Genevieve Oyer  
Office of the Federal Public Defender  
100 S Charles St Ste 900 Tower II  
Baltimore, MD 21201  
liz\_oyer@fd.org

Maggie Grace  
Office of the Federal Public Defender  
100 S Charles St, Tower II, 9th Floor  
Baltimore, MD 21201  
maggie\_grace@fd.org

**Criminal Counsel for Defendant Jay B. Ledford (via E-Mail and U.S. Mail):**

Harry J Trainor, Jr  
Trainor Billman Bennett and Milko LLP  
116 Cathedral St Ste E  
Annapolis, MD 21401  
htrain@prodigy.net



**Criminal Counsel for Defendant Cameron R. Jezierski (via E-Mail and U.S. Mail):**

Joseph J Aronica  
Duane Morris LLP  
505 9th St NW Ste 1000  
Washington, DC 20004  
jjaronica@duanemorris.com

**Criminal Counsel for Relief Defendant Amanda Merrill (via E-Mail and U.S. Mail):**

Addy R. Schmitt  
Ian Herbert  
Miller & Chevalier Chartered  
900 16th St NW  
Washington, DC 20006  
aschmitt@milchev.com  
iherbert@milchev.com

**Relief Defendant Lalaine Ledford (via U.S. Mail):**

Lalaine Ledford  
10512 Courtney Cove Ave.  
Las Vegas, NV 89144

**Baltimore County Office of Law (via E-Mail and U.S. Mail):**

Susan B. Dubin  
Baltimore County Office of Law  
400 Washington Avenue  
Towson, Maryland 21204  
sdubin@baltimorecountymd.gov

**Dundalk United Methodist Church (U.S. Mail):**

Dundalk United Methodist Church  
c/o Edward F. Mathus  
6903 Mornington Road  
Baltimore, Maryland 21222

**Lienholders, Tax Assessors, and Other Interested Parties (U.S. Mail):**

Florida Community Bank, N.A.  
2325 Vanderbilt Beach Road  
Naples, Florida 34109  
Mortgage Electronic Registration Systems, Inc.  
PO Box 2026  
Flint, Michigan 48501-2026

Collier County, Florida Tax Assessor  
3291 Tamiami Trail East  
Naples, Florida 34112

Maryland Department of Assessments & Taxation  
301 W. Preston Street  
Baltimore, Maryland 21201-2395

Branch Banking and Trust Company,  
A North Carolina Banking Corporation  
PO Box 1290  
Whiteville, North Carolina 28472

Talbot County, Maryland Finance Office  
Talbot County Courthouse  
11 North Washington Street, Suite 9  
Easton, Maryland 21601

HSBC Bank USA, National Association, as trustee of  
J.P. Morgan Alternative Loan Trust 2006-A5  
c/o Howard n. Bierman, Trustee  
c/o Select Portfolio Servicing, Inc.  
3815 Southwest Temple  
Salt Lake City, Utah 84115

Clark County, Nevada Tax Assessor  
500 S. Grand Central Parkway  
Las Vegas, Nevada 89155  
First Financial Bank, N.A. Southlake  
3205 E. Hwy. 114  
PO Box 92840  
Southlake, Texas 76092

Hunter Kelsey of Texas, LLC  
4131 Spicewood Springs Road, Bldg. J-1A  
Austin, Texas 78759

Frost Bank, f/k/a The Frost National Bank  
c/o Michael J. Quilling  
Quilling, Selander Lownds, Winslett & Moser, P.C.  
2001 Bryan Street, Suite 1800  
Dallas, Texas 75201

The City of Colleyville, Texas  
c/o Victoria W. Thomas  
Nichols, Jackson, Dilard, Hager & Smith, L.L.P.  
1800 Lincoln Plaza  
500 North Akard  
Dallas, Texas 75201  
Tarrant County, Texas Tax Assessor  
100 E. Weatherford  
Fort Worth, Texas 76196

J Trust  
c/o Hillary RE. Badrow, Trustee  
2801 Paramount Boulevard  
Amarillo, Texas 79109

Dallas Central Appraisal District  
2949 N. Stemmons Freeway  
Dallas, Texas 75247-6195

Bozeman West  
PO Box 1970  
15632 West Main Street  
Bozeman, Montana 59771-1970

Neil A. Patel  
5308 Burgandy Court  
Colleyville, Texas 76034

TIB – The Independent BankersBank  
350 Phelps Court, Suite 200  
PO Box 560528i  
Dallas, Texas 75356-0528

Wachovia Mortgage, FSB  
PO Box 659548  
San Antonio, Texas 78265-9548

Denton County Tax Assessor  
1505 E. McKinney Street  
Denton, Texas 76209-4525

Potter County, Texas Tax Assessor  
900 South Polk, Suite 106  
Amarillo, Texas 79101

Wells Fargo Home Mortgage  
P.O. Box 10335  
Des Moines, IA 50306

Albertelli Law  
Attn: Coury M. Jacocks  
2201 W. Royal Lane, Suite 155  
Irving, TX 75063

Samual I. White, P.C.  
5040 Corporate Woods Drive, Suite 120  
Virginia Beach, VA 23462

*/s/ Lynn H. Butler*

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Lynn H. Butler

# **EXHIBIT A**

**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF MARYLAND**

<b>SECURITIES AND EXCHANGE</b>	)
<b>COMMISSION,</b>	)
	)
<b>Plaintiff,</b>	)
	)
<b>v.</b>	)
	)
<b>KEVIN B. MERRILL, et al.,</b>	)
	)
<b>Defendants.</b>	)

**Case No.: 1:18-cv-02844-RDB**

**DECLARATION OF GREGORY S. MILLIGAN IN SUPPORT OF RECEIVER’S  
MOTION FOR AUTHORIZATION OF SALE OF REAL PROPERTY LOCATED AT  
2801 PARAMOUNT BLVD., AMARILLO, TX 79109**

Gregory S. Milligan declares, pursuant to 28 U.S.C. § 1746 and under penalty of perjury, that the following is true and correct:

1. My name is Gregory S. Milligan and I am of sound mind and capable of making this Declaration. I have personal knowledge of the facts stated herein and they are true and correct.
2. I am the Court-appointed Receiver in the civil action styled *Securities and Exchange Commission v. Kevin B. Merrill, et al.*, Case No.: 1:18-cv-02844-RDB pending in the United States District Court for the District of Maryland.
3. In furtherance of my duties to manage and maintain the value of the Receivership Assets,<sup>1</sup> I filed a Motion for Approval of Procedures for Sale of Real Property and Retention of Coldwell Banker Commercial Amarillo as Broker (the “Coldwell Motion”) (Dkt. No. 185) to obtain Court approval to market and sell the real property in the Receivership Estate.
4. On August 12, 2019, the Court entered an Order granting the Coldwell Motion (the “Order”) (Dkt. No. 189), which established the procedures for the sale of the real property (the “Real Property Sales Procedures”).
5. The real property that is the subject of the current sale motion is located at 2801 Paramount Blvd., Amarillo, TX 79109 (the “Real Property”) and is the real property that was approved for marketing and sale by the Court pursuant to the Order.

<sup>1</sup> Capitalized terms herein shall have the same meaning as used in the First Amended Order Appointing Temporary Receiver (the “Receivership Order”) (Dkt. No. 62) unless otherwise noted.

6. Pursuant to the Real Property Sales Procedures, I retained Coldwell Banker Commercial Amarillo (“Coldwell Banker”) and began marketing the Real Property for sale.
7. The initial listing price for the Real Property was \$295,000.00.
8. After diligently marketing the Real Property, Coldwell Banker received an offer from Gallaway Emerson, LLC (the “Buyer”) to purchase the Real Property for \$175,000.00 (the “Purchase Price”), which is within the range of appraised values for the Real Property. A copy of the Commercial Contract – Improved Property (the “Contract”) is attached hereto as **Exhibit 1**.
9. Pursuant to the Real Property Sales Procedures, I believe a private sale of the Real Property pursuant to the terms of the Contract will yield a higher return than a public auction.
10. Pursuant to 28 U.S.C. § 2001, I obtained three appraisals of the Real Property from disinterested appraisers.
11. The first appraisal was performed by Jeremy Basket of the Baskett Appraisal Company (the “Baskett Appraisal”), which concluded the present market value of the Real Property was \$245,000.00 as of July 31, 2019. A copy of the Baskett Appraisal is attached hereto as **Exhibit 2**.
12. The second appraisal was performed by John B. Dudley of Gaut Appraisal Service (the “Dudley Appraisal”), which concluded the present market value of the Real Property was \$175,000.00 as of August 19, 2019. A copy of the Dudley Appraisal is attached hereto as **Exhibit 3**.
13. The third appraisal was performed by Steve Rogers of the Steve Rogers Company (the “Rogers Appraisal”) (the Baskett Appraisal, Dudley Appraisal, and Rogers Appraisal are collectively, the “Appraisals”), which concluded the present market value of the Real Property was \$145,000.00 as of August 9, 2019. A copy of the Rogers Appraisal is attached hereto as **Exhibit 4**.
14. The Purchase Price for the sale proposed by the Receiver is within the range of the appraised values of the Real Property.
15. I believe that the sale of the Real Property to the Buyer at this time pursuant to the terms of the Contract is in the best interest of the Receivership Estate to maximize the recovery and preservation of Receivership Assets.
16. If approved by the Court, the proposed 6% commission of \$10,500.00 (the “Commission”) would be paid 50% to Coldwell Banker and 50% to the Buyer’s broker and out of the Purchase Price at closing.
17. Additionally, if approved by the Court, the sale of the Real Property would also incur customary closing costs for taxes and other government fees in the approximate amount of \$20,981.90 to be paid at closing out of the Purchase Price. A copy of the draft Settlement Statement is attached hereto as **Exhibit 5**.

18. In my business judgment, the Commission and Administrative Fee proposed by Coldwell Banker is fair market value for such services, will result in a net benefit to the Receivership Estate, and will reduce the administrative cost to the Receivership Estate. Pursuant to the Agreed Order, I seek authorization to pay these fees in connection with the sale of the Real Property. If Coldwell Banker were required to submit fee applications, the burden of preparing those fee applications would fall on my professionals and would increase the burden on the Receivership Estate. Accordingly, I am requesting final approval for payment of Coldwell Banker Commission and Administrative fee, along with all other customary closing costs, at closing out of the Purchase Price without need of further Court approval.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on October 23, 2019.

  
\_\_\_\_\_  
GREGORY S. MILLIGAN



# **EXHIBIT 1**



COMMERCIAL CONTRACT - IMPROVED PROPERTY

USE OF THIS FORM BY PERSONS WHO ARE NOT MEMBERS OF THE TEXAS ASSOCIATION OF REALTORS®, INC. IS NOT AUTHORIZED ©Texas Association of REALTORS®, Inc. 2018

1. PARTIES: Seller agrees to sell and convey to Buyer the Property described in Paragraph 2. Buyer agrees to buy the Property from Seller for the sales price stated in Paragraph 3. The parties to this contract are:

Seller: Gregory S. Milligan, Receiver

Address:
Phone: E-mail:
Fax: Other:

Buyer: Gallaway Emerson, LLC

Address: 3000 SW 27th Ave, Amarillo, TX 79109-3108
Phone: E-mail:
Fax: Other:

2. PROPERTY:

A. "Property" means that real property situated in Randall County, Texas at 2801 Paramount Blvd, Amarillo, TX 79109-3347 and that is legally described on the attached Exhibit Lot 13 Thru 15, Block 005, Lawrence park Addn #4, Amarillo, Randall County, TX

B. Seller will sell and convey the Property together with:

- (1) all buildings, improvements, and fixtures;
(2) all rights, privileges, and appurtenances pertaining to the Property, including Seller's right, title, and interest in any minerals, utilities, adjacent streets, alleys, strips, gores, and rights-of-way;
(3) Seller's interest in all leases, rents, and security deposits for all or part of the Property;
(4) Seller's interest in all licenses and permits related to the Property;
(5) Seller's interest in all third party warranties or guaranties, if transferable, relating to the Property or any fixtures;
(6) Seller's interest in any trade names, if transferable, used in connection with the Property; and
(7) all Seller's tangible personal property located on the Property that is used in connection with the Property's operations except:

Any personal property not included in the sale must be removed by Seller prior to closing.

(Describe any exceptions, reservations, or restrictions in Paragraph 12 or an addendum.)

(If mineral rights are to be reserved an appropriate addendum should be attached.)

(If the Property is a condominium, attach Commercial Contract Condominium Addendum (TXR-1930) or (TXR-1946).)

3. SALES PRICE: At or before closing, Buyer will pay the following sales price for the Property: \$175,000.00

A. Cash portion payable by Buyer at closing \$ 245,000.00
B. Sum of all financing described in Paragraph 4 \$ 115,000.00
C. Sales price (sum of 3A and 3B) \$ 245,000.00

(TXR-1801) 4-1-18

Initialed for Identification by Seller and Buyer

Page 1 of 14

Handwritten initials and signatures: GSM, ASM, etc.

2801 Paramount Blvd, Amarillo, TX 79109-3347

Commercial Contract - Improved Property concerning \_\_\_\_\_

4. FINANCING: Buyer will finance the portion of the sales price under Paragraph 3B as follows:

- A. Third Party Financing: One or more third party loans in the total amount of \$ \_\_\_\_\_. This contract:
  - (1) is not contingent upon Buyer obtaining third party financing.
  - (2) is contingent upon Buyer obtaining third party financing in accordance with the attached Commercial Contract Financing Addendum (TXR-1931).
- B. Assumption: In accordance with the attached Commercial Contract Financing Addendum (TXR-1931), Buyer will assume the existing promissory note secured by the Property, which balance at closing will be \$ \_\_\_\_\_.
- C. Seller Financing: The delivery of a promissory note and deed of trust from Buyer to Seller under the terms of the attached Commercial Contract Financing Addendum (TXR-1931) in the amount of \$ \_\_\_\_\_.

5. EARNEST MONEY:

- A. Not later than 3 days after the effective date, Buyer must deposit \$ **\$2,500.00** as earnest money with **Stewart Title** (title company) at **7810 Hillside Rd, Suite 200 Amarillo, TX 79119** (address) **Trisha Golden** (closer). If Buyer fails to timely deposit the earnest money, Seller may terminate this contract or exercise any of Seller's other remedies under Paragraph 15 by providing written notice to Buyer before Buyer deposits the earnest money.
- B. Buyer will deposit an additional amount of \$ \_\_\_\_\_ with the title company to be made part of the earnest money on or before:
  - (i) \_\_\_\_\_ days after Buyer's right to terminate under Paragraph 7B expires; or
  - (ii) \_\_\_\_\_
 Buyer will be in default if Buyer fails to deposit the additional amount required by this Paragraph 5B within 3 days after Seller notifies Buyer that Buyer has not timely deposited the additional amount.
- C. Buyer may instruct the title company to deposit the earnest money in an interest-bearing account at a federally insured financial institution and to credit any interest to Buyer.

6. TITLE POLICY, SURVEY, AND UCC SEARCH:

A. Title Policy:

- (1) Seller, at Seller's expense, will furnish Buyer an Owner's Policy of Title Insurance (the title policy) issued by any underwriter of the title company in the amount of the sales price, dated at or after closing, insuring Buyer against loss under the title policy, subject only to:
  - (a) those title exceptions permitted by this contract or as may be approved by Buyer in writing; and
  - (b) the standard printed exceptions contained in the promulgated form of title policy unless this contract provides otherwise.
- (2) The standard printed exception as to discrepancies, conflicts, or shortages in area and boundary lines, or any encroachments or protrusions, or any overlapping improvements:
  - (a) will not be amended or deleted from the title policy.
  - (b) will be amended to read "shortages in areas" at the expense of  Buyer  Seller.
- (3) Within 10 days after the effective date, Seller will furnish Buyer a commitment for title insurance (the commitment) including legible copies of recorded documents evidencing title exceptions. Seller authorizes the title company to deliver the commitment and related documents to Buyer at Buyer's address.

Commercial Contract - Improved Property concerning 2801 Paramount Blvd, Amarillo, TX 79109-3347

B. Survey: Within 10 days after the effective date:

- (1) Buyer will obtain a survey of the Property at Buyer's expense and deliver a copy of the survey to Seller. The survey must be made in accordance with the: (i) ALTA/NSPS Land Title Survey standards, or (ii) Texas Society of Professional Surveyors' standards for a Category 1A survey under the appropriate condition. Seller will reimburse Buyer \$750 (insert amount) of the cost of the survey at closing, if closing occurs.
- (2) Seller, at Seller's expense, will furnish Buyer a survey of the Property dated after the effective date. The survey must be made in accordance with the: (i) ALTA/NSPS Land Title Survey standards, or (ii) Texas Society of Professional Surveyors' standards for a Category 1A survey under the appropriate condition.
- (3) Seller will deliver to Buyer and the title company a true and correct copy of Seller's most recent survey of the Property along with an affidavit required by the title company for approval of the existing survey. If the existing survey is not acceptable to the title company,  Seller  Buyer (updating party), will, at the updating party's expense, obtain a new or updated survey acceptable to the title company and deliver the acceptable survey to the other party and the title company within 30 days after the title company notifies the parties that the existing survey is not acceptable to the title company. The closing date will be extended daily up to 30 days if necessary for the updating party to deliver an acceptable survey within the time required. The other party will reimburse the updating party \_\_\_\_\_ (insert amount or percentage) of the cost of the new or updated survey at closing, if closing occurs.

C. UCC Search:

- (1) Within \_\_\_\_\_ days after the effective date, Seller, at Seller's expense, will furnish Buyer a Uniform Commercial Code (UCC) search prepared by a reporting service and dated after the effective date. The search must identify documents that are on file with the Texas Secretary of State and the county where the Property is located that relate to all personal property on the Property and show, as debtor, Seller and all other owners of the personal property in the last 5 years.
- (2) Buyer does not require Seller to furnish a UCC search.

D. Buyer's Objections to the Commitment, Survey, and UCC Search:

- (1) Within 5 days after Buyer receives the last of the commitment, copies of the documents evidencing the title exceptions, any required survey, and any required UCC search, Buyer may object to matters disclosed in the items if: (a) the matters disclosed are a restriction upon the Property or constitute a defect or encumbrance to title to the real or personal property described in Paragraph 2 other than those permitted by this contract or liens that Seller will satisfy at closing or Buyer will assume at closing; or (b) the items show that any part of the Property lies in a special flood hazard area (an "A" or "V" zone as defined by FEMA). If the commitment or survey is revised or any new document evidencing a title exception is delivered, Buyer may object to any new matter revealed in such revision or new document. Buyer's objection must be made within the same number of days stated in this paragraph, beginning when the revision or new document is delivered to Buyer. If Paragraph 6B(1) applies, Buyer is deemed to receive the survey on the earlier of: (i) the date Buyer actually receives the survey; or (ii) the deadline specified in Paragraph 6B.
- (2) Seller may, but is not obligated to, cure Buyer's timely objections within 15 days after Seller receives the objections. The closing date will be extended as necessary to provide such time to cure the objections. If Seller fails to cure the objections by the time required, Buyer may terminate this contract by providing written notice to Seller within 5 days after the time by which Seller must cure the objections. If Buyer terminates, the earnest money, less any independent consideration under Paragraph 7B(1), will be refunded to Buyer.

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(3) Buyer's failure to timely object or terminate under this Paragraph 6D is a waiver of Buyer's right to object except that Buyer will not waive the requirements in Schedule C of the commitment.

**7. PROPERTY CONDITION:**

A. Present Condition: Buyer accepts the Property in its present condition except that Seller, at Seller's expense, will complete the following before closing: \_\_\_\_\_

B. Feasibility Period: Buyer may terminate this contract for any reason within 20 days after the effective date (feasibility period) by providing Seller written notice of termination.

(1) Independent Consideration. (Check only one box and insert amounts.)

(a) If Buyer terminates under this Paragraph 7B, the earnest money will be refunded to Buyer less \$ 100.00 that Seller will retain as independent consideration for Buyer's unrestricted right to terminate. Buyer has tendered the independent consideration to Seller upon payment of the amount specified in Paragraph 5A to the title company. The independent consideration is to be credited to the sales price only upon closing of the sale. If no dollar amount is stated in this Paragraph 7B(1) or if Buyer fails to deposit the earnest money, Buyer will not have the right to terminate under this Paragraph 7B.

(b) Not later than 3 days after the effective date, Buyer must pay Seller \$ \_\_\_\_\_ as independent consideration for Buyer's right to terminate by tendering such amount to Seller or Seller's agent. If Buyer terminates under this Paragraph 7B, the earnest money will be refunded to Buyer and Seller will retain the independent consideration. The independent consideration will be credited to the sales price only upon closing of the sale. If no dollar amount is stated in this Paragraph 7B(2) or if Buyer fails to pay the independent consideration, Buyer will not have the right to terminate under this Paragraph 7B.

(2) Feasibility Period Extension: Prior to the expiration of the initial feasibility period, Buyer may extend the feasibility period for a single period of an additional \_\_\_\_\_ days by depositing additional earnest money in the amount of \$ \_\_\_\_\_ with the title company. If no dollar amount is stated in this Paragraph or if Buyer fails to timely deposit the additional earnest money, the extension of the feasibility period will not be effective.

C. Inspections, Studies, or Assessments:

(1) During the feasibility period, Buyer, at Buyer's expense, may complete or cause to be completed any and all inspections, studies, or assessments of the Property (including all improvements and fixtures) desired by Buyer.

(2) Seller, at Seller's expense, will turn on all utilities necessary for Buyer to make inspections, studies, or assessments.

(3) Buyer must:

- (a) employ only trained and qualified inspectors and assessors;
- (b) notify Seller, in advance, of when the inspectors or assessors will be on the Property;
- (c) abide by any reasonable entry rules or requirements of Seller;
- (d) not interfere with existing operations or occupants of the Property; and
- (e) restore the Property to its original condition if altered due to inspections, studies, or assessments that Buyer completes or causes to be completed.

(4) Except for those matters that arise from the negligence of Seller or Seller's agents, Buyer is responsible for any claim, liability, encumbrance, cause of action, and expense resulting from

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Buyer's inspections, studies, or assessments, including any property damage or personal injury. Buyer will indemnify, hold harmless, and defend Seller and Seller's agents against any claim involving a matter for which Buyer is responsible under this paragraph. This paragraph survives termination of this contract.

D. Property Information:

(1) Delivery of Property Information: Within 5 days after the effective date, Seller will deliver to Buyer: *(Check all that apply.)*

- (a) a current rent roll of all leases affecting the Property certified by Seller as true and correct;
- (b) copies of all current leases, including any mineral leases, pertaining to the Property, including any modifications, supplements, or amendments to the leases;
- (c) a current inventory of all personal property to be conveyed under this contract and copies of any leases for such personal property;
- (d) copies of all notes and deeds of trust against the Property that Buyer will assume or that Seller will not pay in full on or before closing;
- (e) copies of all current service, utility, maintenance, and management agreements relating to the ownership and operation of the Property;
- (f) copies of current utility capacity letters from the Property's water and sewer service provider;
- (g) copies of all current warranties and guaranties relating to all or part of the Property;
- (h) copies of fire, hazard, liability, and other insurance policies that currently relate to the Property;
- (i) copies of all leasing or commission agreements that currently relate to the tenants of all or part of the Property;
- (j) a copy of the "as-built" plans and specifications and plat of the Property;
- (k) copies of all invoices for utilities and repairs incurred by Seller for the Property in the 24 months immediately preceding the effective date;
- (l) a copy of Seller's income and expense statement for the Property from \_\_\_\_\_ to \_\_\_\_\_;
- (m) copies of all previous environmental assessments, geotechnical reports, studies, or analyses made on or relating to the Property;
- (n) real and personal property tax statements for the Property for the previous 2 calendar years;
- (o) Tenant reconciliation statements including, operating expenses, insurance and taxes for the Property from \_\_\_\_\_ to \_\_\_\_\_; and
- (p) **Any of the above in Seller's possession and readily available.**

(2) Return of Property Information: If this contract terminates for any reason, Buyer will, not later than 10 days after the termination date: *(Check all that apply.)*

- (a) return to Seller all those items described in Paragraph 7D(1) that Seller delivered to Buyer in other than an electronic format and all copies that Buyer made of those items;
- (b) delete or destroy all electronic versions of those items described in Paragraph 7D(1) that Seller delivered to Buyer or Buyer copied in any format; and
- (c) deliver to Seller copies of all inspection and assessment reports related to the Property that Buyer completed or caused to be completed.

This Paragraph 7D(2) survives termination of this contract.

E. Contracts Affecting Operations: Until closing, Seller: (1) will operate the Property in the same manner as on the effective date under reasonably prudent business standards; and (2) will not transfer or dispose of any part of the Property, any interest or right in the Property, or any of the personal property or other items described in Paragraph 2B or sold under this contract. After the feasibility period ends, Seller may not enter into, amend, or terminate any other contract that affects the operations of the Property without Buyer's written approval.

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**8. LEASES:**

- A. Each written lease Seller is to assign to Buyer under this contract must be in full force and effect according to its terms. Seller may not enter into any new lease, fail to comply with any existing lease, or make any amendment or modification to any existing lease without Buyer's written consent. Seller must disclose, in writing, if any of the following exist at the time Seller provides the leases to the Buyer or subsequently occur before closing:
- (1) any failure by Seller to comply with Seller's obligations under the leases;
  - (2) any circumstances under any lease that entitle the tenant to terminate the lease or seek any offsets or damages;
  - (3) any non-occupancy of the leased premises by a tenant;
  - (4) any advance sums paid by a tenant under any lease;
  - (5) any concessions, bonuses, free rents, rebates, brokerage commissions, or other matters that affect any lease; and
  - (6) any amounts payable under the leases that have been assigned or encumbered, except as security for loan(s) assumed or taken subject to under this contract.
- B. Estoppel Certificates: Within \_\_\_\_\_ days after the effective date, Seller will deliver to Buyer estoppel certificates signed not earlier than \_\_\_\_\_ by each tenant that leases space in the Property. The estoppel certificates must include the certifications contained in the current version of TXR Form 1938 - Commercial Tenant Estoppel Certificate and any additional information requested by a third party lender providing financing under Paragraph 4 if the third party lender requests such additional information at least 10 days prior to the earliest date that Seller may deliver the signed estoppel certificates.

**9. BROKERS:**

A. The brokers to this sale are:

Principal Broker: Coldwell Banker Commercial  
Amarillo  
 Agent: Rachel Shreffler  
 Address: 5701 Time Square Blvd, Suite 190  
Amarillo, TX 79119  
 Phone & Fax: (806)468-4826 (806)356-4077  
 E-mail: rachel@cbcamarillo.com  
 License No.: 9007722

Cooperating Broker: Gaut Whittenburg Emerson CRE  
Amarillo  
 Agent: Aaron Emerson, CCIM, SIOR  
 Address: 600 S. Tyler, Suite 101  
Amarillo, TX 79101  
 Phone & Fax: (806)373-3111 (806)373-9301  
 E-mail: aaron@gwamarillo.com  
 License No. 477647

- Principal Broker: (Check only one box)
- represents Seller only.
- represents Buyer only.
- is an intermediary between Seller and Buyer.

Cooperating Broker represents Buyer.

B. Fees: (Check only (1) or (2) below.)  
 (Complete the Agreement Between Brokers on page 14 only if (1) is selected.)

(1) Seller will pay Principal Broker the fee specified by separate written commission agreement between Principal Broker and Seller. Principal Broker will pay Cooperating Broker the fee specified in the Agreement Between Brokers found below the parties' signatures to this contract.

(2) At the closing of this sale, Seller will pay:

(TXR-1801) 4-1-18

Initialed for Identification by Seller GSM and Buyer [Signature]

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Principal Broker a total cash fee of:  3.000 % of the sales price. Cooperating Broker a total cash fee of:  3.000 % of the sales price.

The cash fees will be paid in Potter/Randall County, Texas. Seller authorizes the title company to pay the brokers from the Seller's proceeds at closing.

*NOTICE: Chapter 62, Texas Property Code, authorizes a broker to secure an earned commission with a lien against the Property.*

C. The parties may not amend this Paragraph 9 without the written consent of the brokers affected by the amendment.

**10. CLOSING:**

A. The date of the closing of the sale (closing date) will be on or before the later of:

- (1)  \_\_\_\_\_ days after the expiration of the feasibility period.
- \_\_\_\_\_ (specific date).

**See Special Provisions Addendum**

- (2) 7 days after objections made under Paragraph 6D have been cured or waived.

B. If either party fails to close by the closing date, the non-defaulting party may exercise the remedies in Paragraph 15.

C. At closing, Seller will execute and deliver to Buyer, at Seller's expense, a  general  special warranty deed. The deed must include a vendor's lien if any part of the sales price is financed. The deed must convey good and indefeasible title to the Property and show no exceptions other than those permitted under Paragraph 6 or other provisions of this contract. Seller must convey the Property:

- (1) with no liens, assessments, or Uniform Commercial Code or other security interests against the Property which will not be satisfied out of the sales price, unless securing loans Buyer assumes;
- (2) without any assumed loans in default; and
- (3) with no persons in possession of any part of the Property as lessees, tenants at sufferance, or trespassers except tenants under the written leases assigned to Buyer under this contract.

D. At closing, Seller, at Seller's expense, will also deliver to Buyer:

- (1) tax statements showing no delinquent taxes on the Property;
- (2) a bill of sale with warranties to title conveying title, free and clear of all liens, to any personal property defined as part of the Property in Paragraph 2 or sold under this contract;
- (3) an assignment of all leases to or on the Property;
- (4) to the extent that the following items are assignable, an assignment to Buyer of the following items as they relate to the Property or its operations:
  - (a) licenses and permits;
  - (b) service, utility, maintenance, management, and other contracts; and
  - (c) warranties and guaranties;
- (5) a rent roll current on the day of the closing certified by Seller as true and correct;
- (6) evidence that the person executing this contract is legally capable and authorized to bind Seller;
- (7) an affidavit acceptable to the title company stating that Seller is not a foreign person or, if Seller is a foreign person, a written authorization for the title company to: (i) withhold from Seller's proceeds an amount sufficient to comply with applicable tax law; and (ii) deliver the amount to the Internal Revenue Service together with appropriate tax forms; and
- (8) any notices, statements, certificates, affidavits, releases, and other documents required by this contract, the commitment, or law necessary for the closing of the sale and the issuance of the title policy, all of which must be completed and executed by Seller as necessary.

E. At closing, Buyer will:

- (1) pay the sales price in good funds acceptable to the title company.



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- (2) deliver evidence that the person executing this contract is legally capable and authorized to bind Buyer;
- (3) sign and send to each tenant in the Property a written statement that:
  - (a) acknowledges Buyer has received and is responsible for the tenant's security deposit; and
  - (b) specifies the exact dollar amount of the security deposit;
- (4) sign an assumption of all leases then in effect; and
- (5) execute and deliver any notices, statements, certificates, or other documents required by this contract or law necessary to close the sale.

F. Unless the parties agree otherwise, the closing documents will be as found in the basic forms in the current edition of the State Bar of Texas Real Estate Forms Manual without any additional clauses.

**11. POSSESSION:** Seller will deliver possession of the Property to Buyer upon closing and funding of this sale in its present condition with any repairs Seller is obligated to complete under this contract, ordinary wear and tear excepted. Any possession by Buyer before closing or by Seller after closing that is not authorized by a separate written lease agreement is a landlord-tenant at sufferance relationship between the parties.

**12. SPECIAL PROVISIONS:** The following special provisions apply and will control in the event of a conflict with other provisions of this contract. *(If special provisions are contained in an Addendum, identify the Addendum here and reference the Addendum in Paragraph 22D.)*

**Aaron Emerson is a licensed real estate broker in the State of Texas and a member of Gallaway Emerson, LLC.**

**See Special Provisions Addendum.**

### 13. SALES EXPENSES:

A. Seller's Expenses: Seller will pay for the following at or before closing:

- (1) releases of existing liens, other than those liens assumed by Buyer, including prepayment penalties and recording fees;
- (2) release of Seller's loan liability, if applicable;
- (3) tax statements or certificates;
- (4) preparation of the deed and any bill of sale;
- (5) one-half of any escrow fee;
- (6) costs to record any documents to cure title objections that Seller must cure; and
- (7) other expenses that Seller will pay under other provisions of this contract.

B. Buyer's Expenses: Buyer will pay for the following at or before closing:

- (1) all loan expenses and fees;
- (2) preparation fees of any deed of trust;
- (3) recording fees for the deed and any deed of trust;
- (4) premiums for flood and hazard insurance as may be required by Buyer's lender;
- (5) one-half of any escrow fee; and
- (6) other expenses that Buyer will pay under other provisions of this contract.

### 14. PRORATIONS:

A. Prorations:

- (1) Interest on any assumed loan, taxes, rents, and any expense reimbursements from tenants will be prorated through the closing date.

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(2) If the amount of ad valorem taxes for the year in which the sale closes is not available on the closing date, taxes will be prorated on the basis of taxes assessed in the previous year. If the taxes for the year in which the sale closes vary from the amount prorated at closing, the parties will adjust the prorations when the tax statements for the year in which the sale closes become available. This Paragraph 14A(2) survives closing.

(3) If Buyer assumes a loan or is taking the Property subject to an existing lien, Seller will transfer all reserve deposits held by the lender for the payment of taxes, insurance premiums, and other charges to Buyer at closing and Buyer will reimburse such amounts to Seller by an appropriate adjustment at closing.

B. Rollback Taxes: If Seller's use or change in use of the Property before closing results in the assessment of additional taxes, penalties, or interest (assessments) for periods before closing, the assessments will be the obligation of Seller. If this sale or Buyer's use of the Property after closing results in additional assessments for periods before closing, the assessments will be the obligation of Buyer. This Paragraph 14B survives closing.

C. Rent and Security Deposits: At closing, Seller will tender to Buyer all security deposits and the following advance payments received by Seller for periods after closing: prepaid expenses, advance rental payments, and other advance payments paid by tenants. Rents prorated to one party but received by the other party will be remitted by the recipient to the party to whom it was prorated within 5 days after the rent is received. This Paragraph 14C survives closing.

#### 15. DEFAULT:

A. If Buyer fails to comply with this contract, Buyer is in default and Seller, as Seller's sole remedy(ies), may terminate this contract and receive the earnest money, as liquidated damages for Buyer's failure except for any damages resulting from Buyer's inspections, studies or assessments in accordance with Paragraph 7C(4) which Seller may pursue, or  
(Check if applicable)

enforce specific performance, or seek such other relief as may be provided by law.

B. If, without fault, Seller is unable within the time allowed to deliver the estoppel certificates, survey or the commitment, Buyer may:

- (1) terminate this contract and receive the earnest money, less any independent consideration under Paragraph 7B(1), as liquidated damages and as Buyer's sole remedy; or
- (2) extend the time for performance up to 15 days and the closing will be extended as necessary.

C. Except as provided in Paragraph 15B, if Seller fails to comply with this contract, Seller is in default and Buyer may:

- (1) terminate this contract and receive the earnest money, less any independent consideration under Paragraph 7B(1), as liquidated damages and as Buyer's sole remedy; or
- (2) enforce specific performance, or seek such other relief as may be provided by law, or both.

#### 16. CASUALTY LOSS AND CONDEMNATION:

A. If any part of the Property is damaged or destroyed by fire or other casualty after the effective date, Seller must restore the Property to its previous condition as soon as reasonably possible and not later than the closing date. If, without fault, Seller is unable to do so, Buyer may:

- (1) terminate this contract and the earnest money, less any independent consideration under Paragraph 7B(1), will be refunded to Buyer;
- (2) extend the time for performance up to 15 days and closing will be extended as necessary; or
- (3) accept at closing: (i) the Property in its damaged condition; (ii) an assignment of any insurance proceeds Seller is entitled to receive along with the insurer's consent to the assignment; and (iii) a credit to the sales price in the amount of any unpaid deductible under the policy for the loss.

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- B. If before closing, condemnation proceedings are commenced against any part of the Property, Buyer may:
  - (1) terminate this contract by providing written notice to Seller within 15 days after Buyer is advised of the condemnation proceedings and the earnest money, less any independent consideration under Paragraph 7B(1), will be refunded to Buyer; or
  - (2) appear and defend the condemnation proceedings and any award will, at Buyer's election, belong to: (a) Seller and the sales price will be reduced by the same amount; or (b) Buyer and the sales price will not be reduced.

**17. ATTORNEY'S FEES:** If Buyer, Seller, any broker, or the title company is a prevailing party in any legal proceeding brought under or with relation to this contract or this transaction, such party is entitled to recover from the non-prevailing parties all costs of such proceeding and reasonable attorney's fees. This Paragraph 17 survives termination of this contract.

**18. ESCROW:**

- A. At closing, the earnest money will be applied first to any cash down payment, then to Buyer's closing costs, and any excess will be refunded to Buyer. If no closing occurs, the title company may require payment of unpaid expenses incurred on behalf of the parties and a written release of liability of the title company from all parties.
- B. If one party makes written demand for the earnest money, the title company will give notice of the demand by providing to the other party a copy of the demand. If the title company does not receive written objection to the demand from the other party within 15 days after the date the title company sent the demand to the other party, the title company may disburse the earnest money to the party making demand, reduced by the amount of unpaid expenses incurred on behalf of the party receiving the earnest money and the title company may pay the same to the creditors.
- C. The title company will deduct any independent consideration under Paragraph 7B(1) before disbursing any earnest money to Buyer and will pay the independent consideration to Seller.
- D. If the title company complies with this Paragraph 18, each party hereby releases the title company from all claims related to the disbursal of the earnest money.
- E. Notices under this Paragraph 18 must be sent by certified mail, return receipt requested. Notices to the title company are effective upon receipt by the title company.
- F. Any party who wrongfully fails or refuses to sign a release acceptable to the title company within 7 days after receipt of the request will be liable to the other party for: (i) damages; (ii) the earnest money; (iii) reasonable attorney's fees; and (iv) all costs of suit.
- G.  Seller  Buyer intend(s) to complete this transaction as a part of an exchange of like-kind properties in accordance with Section 1031 of the Internal Revenue Code, as amended. All expenses in connection with the contemplated exchange will be paid by the exchanging party. The other party will not incur any expense or liability with respect to the exchange. The parties agree to cooperate fully and in good faith to arrange and consummate the exchange so as to comply to the maximum extent feasible with the provisions of Section 1031 of the Internal Revenue Code. The other provisions of this contract will not be affected in the event the contemplated exchange fails to occur.

**19. MATERIAL FACTS:** To the best of Seller's knowledge and belief: (Check only one box.)

- A. Seller is not aware of any material defects to the Property except as stated in the attached Commercial Property Condition Statement (TXR-1408).  including the Special Provisions Addendum GSM
- B. Except as otherwise provided in this contract, Seller is not aware of:
  - (1) any subsurface: structures, pits, waste, springs, or improvements;
  - (2) any pending or threatened litigation, condemnation, or assessment affecting the Property;[Signature]

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- (3) any environmental hazards or conditions that materially affect the Property;
- (4) whether the Property is or has been used for the storage or disposal of hazardous materials or toxic waste, a dump site or landfill, or any underground tanks or containers;
- (5) whether radon, asbestos containing materials, urea-formaldehyde foam insulation, lead-based paint, toxic mold (to the extent that it adversely affects the health of ordinary occupants), or other pollutants or contaminants of any nature now exist or ever existed on the Property;
- (6) any wetlands, as defined by federal or state law or regulation, on the Property;
- (7) any threatened or endangered species or their habitat on the Property;
- (8) any present or past infestation of wood-destroying insects in the Property's improvements;
- (9) any contemplated material changes to the Property or surrounding area that would materially and detrimentally affect the ordinary use of the Property;
- (10) any material physical defects in the improvements on the Property; or
- (11) any condition on the Property that violates any law or ordinance.

*(Describe any exceptions to (1)-(11) in Paragraph 12 or an addendum.)*

**20. NOTICES:** All notices between the parties under this contract must be in writing and are effective when hand-delivered, mailed by certified mail return receipt requested, or sent by facsimile transmission to the parties addresses or facsimile numbers stated in Paragraph 1. The parties will send copies of any notices to the broker representing the party to whom the notices are sent.

- A. Seller also consents to receive any notices by e-mail at Seller's e-mail address stated in Paragraph 1.
- B. Buyer also consents to receive any notices by e-mail at Buyer's e-mail address stated in Paragraph 1.

**21. DISPUTE RESOLUTION:** ~~The parties agree to negotiate in good faith in an effort to resolve any dispute related to this contract that may arise. If the dispute cannot be resolved by negotiation, the parties will submit the dispute to mediation before resorting to arbitration or litigation and will equally share the costs of a mutually acceptable mediator. This paragraph survives termination of this contract. This paragraph does not preclude a party from seeking equitable relief from a court of competent jurisdiction.~~  
See Special Provisions Addendum

**22. AGREEMENT OF THE PARTIES:**

- A. This contract is binding on the parties, their heirs, executors, representatives, successors, and permitted assigns. This contract is to be construed in accordance with the laws of the State of Texas. If any term or condition of this contract shall be held to be invalid or unenforceable, the remainder of this contract shall not be affected thereby.
- B. This contract contains the entire agreement of the parties and may not be changed except in writing.
- C. If this contract is executed in a number of identical counterparts, each counterpart is an original and all counterparts, collectively, constitute one agreement.
- D. Addenda which are part of this contract are: *(Check all that apply.)*

- (1) Property Description Exhibit identified in Paragraph 2;
- (2) Commercial Contract Condominium Addendum (TXR-1930) or (TXR-1946);
- (3) Commercial Contract Financing Addendum (TXR-1931);
- (4) Commercial Property Condition Statement (TXR-1408);
- (5) Commercial Contract Addendum for Special Provisions (TXR-1940);
- (6) Addendum for Seller's Disclosure of Information on Lead-Based Paint and Lead-Based Paint Hazards (TXR-1906);
- (7) Notice to Purchaser of Real Property in a Water District (MUD);
- (8) Addendum for Coastal Area Property (TXR-1915);
- (9) Addendum for Property Located Seaward of the Gulf Intracoastal Waterway (TXR-1916);
- (10) Information About Brokerage Services (TXR-2501); and
- (11) Information About Mineral Clauses in Contract Forms (TXR-2509); and
- (12) **Special Provisions Addendum**

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(Note: Counsel for Texas REALTORS® has determined that any of the foregoing addenda which are promulgated by the Texas Real Estate Commission (TREC) or published by Texas REALTORS® are appropriate for use with this form.)

E. Buyer  may  may not assign this contract. If Buyer assigns this contract, Buyer will be relieved of any future liability under this contract only if the assignee assumes, in writing, all of Buyer's obligations under this contract.

**23. TIME:** Time is of the essence in this contract. The parties require strict compliance with the times for performance. If the last day to perform under a provision of this contract falls on a Saturday, Sunday, or legal holiday, the time for performance is extended until the end of the next day which is not a Saturday, Sunday, or legal holiday.

**24. EFFECTIVE DATE:** The effective date of this contract for the purpose of performance of all obligations is the date the title company receipts this contract after all parties execute this contract.

**25. ADDITIONAL NOTICES:**

- A. Buyer should have an abstract covering the Property examined by an attorney of Buyer's selection, or Buyer should be furnished with or obtain a title policy.
- B. If the Property is situated in a utility or other statutorily created district providing water, sewer, drainage, or flood control facilities and services, Chapter 49, Texas Water Code, requires Seller to deliver and Buyer to sign the statutory notice relating to the tax rate, bonded indebtedness, or standby fees of the district before final execution of this contract.
- C. Notice Required by §13.257, Water Code: "The real property, described below, that you are about to purchase may be located in a certificated water or sewer service area, which is authorized by law to provide water or sewer service to the properties in the certificated area. If your property is located in a certificated area there may be special costs or charges that you will be required to pay before you can receive water or sewer service. There may be a period required to construct lines or other facilities necessary to provide water or sewer service to your property. You are advised to determine if the property is in a certificated area and contact the utility service provider to determine the cost that you will be required to pay and the period, if any, that is required to provide water or sewer service to your property. The undersigned purchaser hereby acknowledges receipt of the foregoing notice at or before the execution of a binding contract for the purchase of the real property described in the notice or at closing of purchase of the real property." The real property is described in Paragraph 2 of this contract.
- D. If the Property adjoins or shares a common boundary with the tidally influenced submerged lands of the state, §33.135, Texas Natural Resources Code, requires a notice regarding coastal area property to be included as part of this contract (*the Addendum for Coastal Area Property (TXR-1915) may be used*)
- E. If the Property is located seaward of the Gulf Intracoastal Waterway, §61.025, Texas Natural Resources Code, requires a notice regarding the seaward location of the Property to be included as part of this contract (*the Addendum for Property Located Seaward of the Gulf Intracoastal Waterway (TXR-1916) may be used*).
- F. If the Property is located outside the limits of a municipality, the Property may now or later be included in the extra-territorial jurisdiction (ETJ) of a municipality and may now or later be subject to annexation by the municipality. Each municipality maintains a map that depicts its boundaries and ETJ. To determine if the Property is located within a municipality's ETJ, Buyer should contact all municipalities located in the general proximity of the Property for further information.
- G. If apartments or other residential units are on the Property and the units were built before 1978, federal law requires a lead-based paint and hazard disclosure statement to be made part of this contract (*the Addendum for Seller's Disclosure of Information on Lead-Based Paint and Lead-Based Paint Hazards (TXR-1906) may be used*).

(TXR-1801) 4-1-18

Initialed for Identification by Seller GSM and Buyer [Signature]

Page 12 of 14

Commercial Contract - Improved Property concerning 2801 Paramount Blvd, Amarillo, TX 79109-3347

- H. Section 1958.154, Occupations Code requires Seller to provide Buyer a copy of any mold remediation certificate issued for the Property during the 5 years preceding the date the Seller sells the Property.
- I. Brokers are not qualified to perform property inspections, surveys, engineering studies, environmental assessments, or inspections to determine compliance with zoning, governmental regulations, or laws. Buyer should seek experts to perform such services. Buyer should review local building codes, ordinances and other applicable laws to determine their effect on the Property. Selection of experts, inspectors, and repairmen is the responsibility of Buyer and not the brokers. Brokers are not qualified to determine the credit worthiness of the parties.
- J. NOTICE OF WATER LEVEL FLUCTUATIONS: If the Property adjoins an impoundment of water, including a reservoir or lake, constructed and maintained under Chapter 11, Water Code, that has a storage capacity of at least 5,000 acre-feet at the impoundment's normal operating level, Seller hereby notifies Buyer: "The water level of the impoundment of water adjoining the Property fluctuates for various reasons, including as a result of: (1) an entity lawfully exercising its right to use the water stored in the impoundment; or (2) drought or flood conditions."
- K. LICENSE HOLDER DISCLOSURE: Texas law requires a real estate license holder who is a party to a transaction or acting on behalf of a spouse, parent, child, business entity in which the license holder owns more than 10%, or a trust for which the license holder acts as a trustee or of which the license holder or the license holder's spouse, parent or child is a beneficiary, to notify the other party in writing before entering into a contract of sale. Disclose if applicable: \_\_\_\_\_

*GS*  
*GS*

**26. CONTRACT AS OFFER:** The execution of this contract by the first party constitutes an offer to buy or sell the Property. Unless the other party accepts the offer by 5:00 p.m., in the time zone in which the Property is located, on ~~October 4, 2018~~, the offer will lapse and become null and void.

**READ THIS CONTRACT CAREFULLY.** The brokers and agents make no representation or recommendation as to the legal sufficiency, legal effect, or tax consequences of this document or transaction. **CONSULT** your attorney **BEFORE** signing.

Seller: Gregory S. Milligan, Receiver

Buyer: Galloway Emerson, LLC

By: \_\_\_\_\_  
By (signature): *Gregory S. Milligan*  
Printed Name: Gregory S. Milligan  
Title: Receiver

By: \_\_\_\_\_  
By (signature): *Aarna Emerson*  
Printed Name: Aarna Emerson  
Title: Member

By: \_\_\_\_\_  
By (signature): \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
By (signature): \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Commercial Contract - Improved Property concerning 2801 Paramount Blvd, Amarillo, TX 79109-3347

**AGREEMENT BETWEEN BROKERS**

*(use only if Paragraph 9B(1) is effective)*

Principal Broker agrees to pay \_\_\_\_\_ (Cooperating Broker) a fee when the Principal Broker's fee is received. The fee to be paid to Cooperating Broker will be:

\$ \_\_\_\_\_, or  
 \_\_\_\_\_ % of the sales price, or  
 \_\_\_\_\_ % of the Principal Broker's fee.

The title company is authorized and directed to pay Cooperating Broker from Principal Broker's fee at closing. This Agreement Between Brokers supersedes any prior offers and agreements for compensation between brokers.

Principal Broker: \_\_\_\_\_ Cooperating Broker: \_\_\_\_\_  
 \_\_\_\_\_

By: \_\_\_\_\_ By: \_\_\_\_\_

**ATTORNEYS**

Seller's attorney: \_\_\_\_\_ Buyer's attorney: \_\_\_\_\_

Address: \_\_\_\_\_ Address: \_\_\_\_\_

Phone & Fax: \_\_\_\_\_ Phone & Fax: \_\_\_\_\_

E-mail: \_\_\_\_\_ E-mail: \_\_\_\_\_

Seller's attorney requests copies of documents, notices, and other information:

the title company sends to Seller.  
 Buyer sends to Seller.

Buyer's attorney requests copies of documents, notices, and other information:

the title company sends to Buyer.  
 Seller sends to Buyer.

**ESCROW RECEIPT**

The title company acknowledges receipt of:

A. the contract on this day \_\_\_\_\_ (effective date);  
 B. earnest money in the amount of \$ \_\_\_\_\_ in the form of \_\_\_\_\_ on \_\_\_\_\_.

Title company: \_\_\_\_\_ Address: \_\_\_\_\_

By: \_\_\_\_\_ Phone & Fax: \_\_\_\_\_

Assigned file number (GF#): \_\_\_\_\_ E-mail: \_\_\_\_\_

**SPECIAL PROVISIONS ADDENDUM**

**SECTION 10(A)(1)**

BUYER AND SELLER ACKNOWLEDGE THAT THIS CONTRACT IS CONTINGENT UPON THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF MARYLAND (“COURT”) APPROVING THE PURCHASE PRICE AND TERMS OF THIS CONTRACT IN ACCORDANCE WITH THE SALE PROCEDURES REQUIRED IN CONNECTION WITH CASE NO. 1:18-CV-02844-RDB, WHICH BUYER HAS HAD THE OPPORTUNITY TO REVIEW PRIOR TO EXECUTION OF THIS CONTRACT.

SELLER SHALL FILE A MOTION WITH THE COURT AS SOON AS PRACTICABLE AFTER EXECUTION TO APPROVE THE SALE AND TERMS OF THE SALES CONTRACT. SELLER AGREES TO DILIGENTLY PURSUE APPROVAL OF THE SALE FROM THE COURT, INCLUDING BUT NOT LIMITED TO, FILING ANY REQUIRED SUPPLEMENTAL NOTICES AND/OR MOTIONS IN CONNECTION WITH SAID MOTION.

IF SELLER DOES NOT OBTAIN APPROVAL OF THE SALE FROM THE COURT WITHIN SIXTY (60) DAYS OF THE EFFECTIVE DATE THIS CONTRACT SHALL BE DEEMED TERMINATED AND THE DEPOSITS MADE BY BUYER SHALL BE IMMEDIATELY REFUNDED TO THE BUYER, THEREBY RELEASING THE PARTIES FROM ALL OBLIGATIONS UNDER THIS CONTRACT, EXCEPT IN THE EVENT THE PARTIES SHOULD AGREE OTHERWISE.

**SECTION 19**

“SELLER IS THE COURT-APPOINTED RECEIVER FOR THE PROPERTY AND HAS NO PERSONAL KNOWLEDGE RELATED TO THE PROPERTY PRIOR TO SEPTEMBER 18, 2018. BUYER UNDERSTANDS THIS CIRCUMSTANCE AND ACCEPTS THE PROPERTY IN ITS CURRENT “AS IS” CONDITION, SUBJECT TO THE FEASIBILITY PERIOD PROVIDED FOR IN SECTION 7(B).”

**SECTION 21**

BUYER AND SELLER AGREE THAT EITHER PARTY MAY CHOOSE TO HAVE ANY DISPUTES, CLAIMS AND CONTROVERSIES BETWEEN THEM ARISING OUT OF OR IN ANY WAY RELATED TO THIS CONTRACT RESOLVED BY THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF MARYLAND *IN RE: SECURITIES AND EXCHANGE COMMISSION V. KEVIN B. MERRILL, ET AL.*, CAUSE NO. 1: L 8-CV-02844-RDB.

ASM                      AD



# **EXHIBIT 2**

**COMMERCIAL APPRAISAL REPORT**

**OFFICE BUILDING**  
2801 Paramount Boulevard  
Amarillo, Texas  
Randall County

**EFFECTIVE DATE OF THE APPRAISAL REPORT**  
July 31, 2019

**PREPARED BY**  
Jeremy Baskett  
Certified General Real Estate Appraiser  
3312 Danvers Drive, Suite A  
Amarillo, Texas 79106

**BASKETT APPRAISAL COMPANY**

Real Estate Appraisal and Valuation Services  
3312 Danvers Drive, Suite A, Amarillo, Texas  
O: 806-803-9662 / Info@baskettvaluation.com

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August 13, 2019

Harney Partners  
Mr. Gregory S. Milligan  
401 Congress Ave  
Austin, TX 78701

**Re: Appraisal Report  
Office Building  
2801 Paramount Boulevard  
Amarillo, Texas 79109**

Dear Mr. Milligan,

In accordance with your request and authorization, I (We) have appraised the above referenced property. The appraisal report is herein submitted.

The purpose of this appraisal is to estimate market value of the property described in this appraisal report, as improved, in leased fee title of ownership. The definition of market value, the statement of assumptions and limiting conditions, along with the legal description can be found within the body of this report.

This report is based on a physical analysis of the site and improvements, a locational analysis of the neighborhood and city, and an economic analysis of the market for properties such as the subject. The appraisal was developed and the report was prepared in accordance with the Uniform Standards of Professional Appraisal Practice, for an Appraisal Report.

This report is subject to appraiser's Certification and Statement of Limiting Conditions attached. I have personally inspected the subject property and this report reflects my "Opinion" of the "Market Value" of the subject property. The date of the inspection is July 31, 2019 and the effective date of the appraisal is July 31, 2019.

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## **MARKET VALUE CONCLUSION**

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"As Is" Value – July 31, 2019

\$245,000

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The following report sets forth a description of the subject property, along with a summary of the market data considered and the conclusions derived from such data. *No Extraordinary assumptions* were utilized as a part of this assignment.

It has been a pleasure to assist you. Please feel free to contact me or any of my staff if we can be of additional service to you.

Sincerely,



Jeremy Baskett  
Baskett Appraisal Company  
Certified General Real Estate Appraiser  
TX-1380132G

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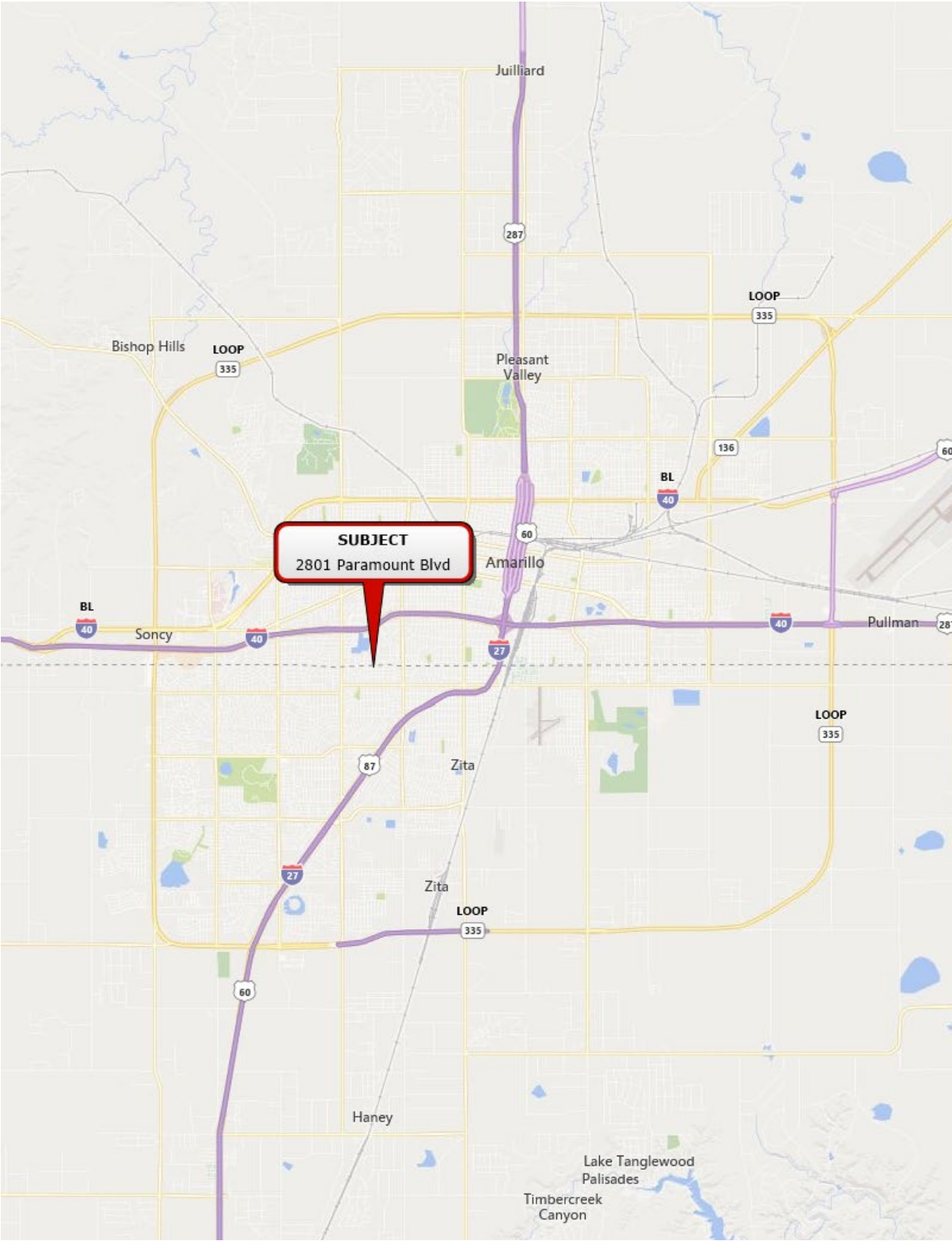
**SUMMARY OF SALIENT FACTS AND CONCLUSIONS**


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Client:	Harney Partners
Loan/ID Number:	2801 Paramount Boulevard
Property Type:	Office Building
Property Address:	2801 Paramount Boulevard, Amarillo, TX
Building Name:	N/A
Owner/Occupant:	Jay B Ledford / Vacant
Typical Buyer:	Owner/Investor
Property Rights Appraised:	Fee Simple
Purpose of Appraisal:	To Estimate Market Value
Intended User(s) of the Report:	Harney Partners
Intended Use of the Report:	To Estimate Market Value for Loan Purposes
Site Size:	29,458 SF or 0.68 Acres
Excess Land:	0 SF
Zoning:	O-2 – Office District 2
H&B.U as Vacant:	Office Use
H&B.U as Improved:	Office Use
Tax Assessor's ID:	To Be Determined
Gross Building Area:	4,480 SF
Net Rentable Area:	4,480 SF
Year Built:	1975
Flood Zone:	No
Environmental Issues:	None Noted
Hypothetical Conditions:	None Noted
Extraordinary Assumptions:	None Noted
Value Indication - Cost Approach:	Not Developed
Value Indication - Income Approach:	\$250,000
Value Indication - Market Approach:	\$245,000
<b>FINAL VALUE ESTIMATE:</b>	<b>\$245,000</b>

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**LOCATION MAP**



## **PURPOSE OF THE APPRAISAL**

The purpose of this appraisal (intended use) is to estimate the market value for the subject property under appraisal. The conclusions shown herein are to be used by the addressee (intended user) as the basis for a loan making decision. This report is in compliance with Uniform Standards of Professional Appraisal Practice. The definition of market value is on page 10.

## **AUTHORIZATION**

This appraisal report has been prepared at the written request and authorization of Mr. Gregory S. Milligan, Executive Vice President of Harney Partners, 401 Congress Ave, Austin, TX 78701.

## **SCOPE OF WORK**

The Scope of Work in this appraisal is defined by the complexity of this appraisal assignment, and the reporting requirements set forth by the Uniform Standards of Professional Appraisal Practice for an Appraisal Report including the Definition of Market Value, Statement of Assumptions and Limiting Conditions, and Certifications. The valuation process is a systematic procedure employed to produce a value for the real property under appraisal. It ends when the solution is communicated to the client in the appraisal report. The appraiser must, at a minimum:

- Perform a complete visual inspection of the interior and exterior areas of the subject property.
- Inspect the subject neighborhood and be familiar with the market area.
- Inspect each of the comparable sales and rents from at least the street.



- Research, verify and analyze data from reliable public and/or private sources, and
- Report his or her analysis, opinions and conclusions in this appraisal report.

The appraisal report is intended to cover all facts and data relating to the investigation. The first part of the report covers the factual and descriptive data relating to the subject property. The process begins with a thorough investigation of the area and neighborhood where the property under appraisal is located. This was done through a combination of personal inspections and obtaining pertinent information from such generally available sources as the local chamber of commerce, Texas Work Force Commission, municipal governments and federal agencies.

Second, an onsite inspection of the subject property was conducted. This inspection included a determination of the site features, any structural improvement characteristics, and any additional onsite improvements. Photographs were taken and a written description was developed. Shortly after the inspection, current ad valorem tax data from appropriate taxing entities was obtained. Also, the highest and best use of the subject property was analyzed both “as though vacant” and “as improved”. Deed restrictions, if any, were not reviewed by the appraiser.

The final step was to examine the local market for information relating to the land sales, improved sales and income data. This step included conversations with local real estate brokers, property managers, individual buyers and sellers, as well as a search of the local deed records and other sources of public information. Published MLS data, as well as the word of brokers and other individuals related to the transaction, is considered as verified data. In the latter portion of the report, the appraiser analyzed the data collected to determine what effect it may have on the final opinion of value.

In essence, the objective is to prepare the appraisal in compliance with the requirements of the Uniform Standards of Professional Appraisal Practice as published by the Appraisal Standards Board of the Appraisal Foundation. Per the client's instructions, this is an Appraisal Report.

## **DATE OF THE APPRAISAL**

The property is being appraised as of July 31, 2019 and is subject to the market influences and economic conditions, which existed on that date. July 31, 2019 is also the date that the subject property was personally inspected by Jeremy Baskett.

## **APPRAISAL HISTORY**

I have performed no other services as an appraiser or in any other capacity, regarding the property that is the subject of the work under review within the three-year period immediately preceding acceptance of this assignment.

## **PROPERTY HISTORY**

As required by the Uniform Standards of Professional Appraisal Practice, of THE APPRAISAL FOUNDATION, the appraiser must consider and analyze any current agreement of sale, options, listings, and any sales of the property in the last three years. This analysis should reasonably disclose and verify the grantor and grantee, sale date, sales price, and any interested parties to the transaction.

2801 Paramount Boulevard

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		<b>Recording</b>	<b>Date</b>	<b>Consideration</b>
Current Owner:	Jay B Ledford	Vol. 2005, Pg. 26838	12/12/2005	N/A
Previous Owner:	Ken W McCarty	Vol. 1940, Pg. 218	04/28/1999	N/A
Buyer:				
Seller:				
Contract Price:				

### Analysis

The subject has not sold or transferred within the previous three years. No other sales or transfers are noted within the previous three years from the effective date of the appraisal. The subject is not currently listed on the MLS nor has it been listed over the last year. The subject is not currently under contract nor is any current agreement of sale made known to the appraiser.

2801 Paramount Boulevard

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## **IDENTIFICATION OF SUBJECT PROPERTY**

The subject property has a physical address of 2801 Paramount Boulevard, Amarillo, Texas 79109. It is legally described as:

Lots 13 thru 15, Block 5, Lawrence Park Addition #4

## **EXTRAORDINARY ASSUMPTIONS / HYPOTHETICAL CONDITIONS**

*Extraordinary Assumption:*

*An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information 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. <sup>1</sup>*

*Hypothetical Condition:*

*That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions 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. <sup>2</sup>*

*No Extraordinary Assumptions or Hypothetical Conditions are utilized in the Appraisal Report.*

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<sup>1</sup> The Dictionary of Real Estate Appraisal, 5<sup>th</sup> ed. (Chicago: Appraisal Institute, 2010).

<sup>2</sup> The Dictionary of Real Estate Appraisal, 5<sup>th</sup> ed. (Chicago: Appraisal Institute, 2010).

## **DEFINITION OF MARKET VALUE**

*Market value is "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 are 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 cash in U.S. dollars or in terms of financing 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".*<sup>3</sup>

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<sup>3</sup> Market value definition excerpted from the Department of the Treasury, Office of Thrift Supervision, September 17, 1990; Federal Register Attachment Transmittal 007; Section 564.2(f).

## **STATEMENTS OF ASSUMPTIONS AND LIMITING CONDITIONS**

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

- The Appraiser assumes no responsibility for matters of a legal nature affecting the property appraised or the title thereto, except for information that he became aware of during the research involved in performing this appraisal. The appraiser does not render any opinion as to the title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership.
- Any sketch in the report may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated in this report. The Appraiser has made no survey of the property.
- The Appraiser is not required to give testimony or appear in court because of having made the appraisal with reference to the property in question, unless arrangements have been previously made therefore.
- Any distribution of the valuation in the report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.

- The Appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The Appraiser assumes no responsibility for such conditions, or for engineering which might be required to discover such factors.
- Information, estimates, and opinions furnished to the Appraiser, and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished to the Appraiser can be assumed.
- Disclosure of the contents of the appraisal report is governed by the bylaws and regulations of the professional appraisal organizations with which the Appraiser is affiliated.
- Neither all, nor any part of the content of this report, or copy thereof (including conclusions as to the property value, the identity of the Appraiser, professional designations, reference to any professional organizations, or the firm with which the Appraiser is connected), shall be used for any purposes by anyone but the client specified in the report, the borrower if appraisal fee paid by same, the mortgagee or its successors and assigns, mortgage insurers, consultants, professional appraisal organizations, any state or federally approved financial institution, any department, agency, or instrumentality of the United States or any state or the District of Columbia, without the previous written consent of the Appraiser; nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, or other media, without the written consent and approval of the Appraiser.



- On all appraisals, subject to satisfactory completion, repairs, or alteration, the appraisal report and value conclusions are contingent upon completion of the improvements in a good workman like manner.
- All engineering is assumed to be correct. Any plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
- It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in this report.
- It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined, and considered in this appraisal report.
- It is assumed that all required licenses, certificates of occupancy 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 within this report are based.
- It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.
- The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified

expert in the field of environmental assessment, the presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.

- Unless otherwise stated in this report, the subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of the Americans with Disabilities Act. The presence of architecture and communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.
- Unless otherwise indicated, this is an Appraisal Report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice for an Appraisal Report. As such, it might not include full discussions of the data, reasoning and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

- If this appraisal report was transmitted as an "electronic record" containing my "electronic signature," as those terms are defined in applicable or federal and/or state laws (excluding audio and video recordings), or a facsimile transmission of this appraisal report containing a copy or representation of my signature, the appraisal report shall be as effective, enforceable and valid as if a paper version of this appraisal report were delivered containing my original hand written signature.



### Location

**Amarillo** is the business and service center for the upper twenty-six county Texas Panhandle Region and portions of New Mexico, Colorado, Kansas, and Oklahoma. Amarillo is the only city with a population of 100,000 or more in the five-state region that provides services for over 500,000 people. It is the retailing, medical, and service center for an area extending approximately 60 miles south and 120 miles north, east, and west.

Amarillo is approximately 365 miles northwest of the Dallas/Fort Worth Metroplex Area; 285 miles east of Albuquerque, New Mexico; 265 miles west of Oklahoma City, Oklahoma and 340 miles south of Colorado Springs, Colorado. Since Amarillo is a significant distance from any other major city, it is necessary for Amarillo to be self-supporting and to provide services and facilities for the vast area it serves.

### Topography

Amarillo is located on the Llano Estacado, which is a relatively flat tableland that marks the southern extent of the High Plains in North America. The high plateau forms a distinct physiographic province that covers an area of more than 30,000 square miles. The flat terrain slopes gently from northwest to southeast with elevations ranging from approximately 3,000 to 5,000 feet.

The Llano Estacado is well-defined by prominent escarpments on the north, east, and west. The northern boundary is defined by the escarpment of the Canadian River, the eastern boundary by the Caprock Escarpment, and the western boundary by the Mescalero Escarpment. The southern boundary grades gently into the Edwards Plateau.

The Llano Estacado is a unique, semiarid landscape characterized by thousands of playa lakes and few streams. The playas serve as a water source and critical habitat for local wildlife and migratory birds on the Central Flyway.

#### Climatic Factors

Amarillo enjoys a mild climate with four distinct seasons. The city averages approximately 19 to 20 inches of precipitation annually. Summer temperatures are moderated by the high altitude with nights 25 to 30 degrees, cooler than daytime highs. Humidity is typically low with steady breezes. In the winter, skies are typically sunny with average daily maximum temperatures near 50 degrees. The average days between killing frost is approximately 168 days and there are approximately 350 days of sunshine per year. The average annual temperature is approximately 57 degrees with a high average in July of approximately 90 degrees, and a low average in January of approximately 34 degrees.

#### Access and Transportation

Located in the center of the Texas Panhandle, Amarillo is within the High Plains Region of the Great Plains which dominates the mid-section of the country. Interstate Highway 40 (I-40) runs through the entire country from coast to coast and runs directly through the center of Amarillo. Interstate 27 intersects Interstate 40 and runs south to Lubbock. US Highway 287 also bisects Interstate 40 and connects Amarillo to the Dallas / Fort Worth Metroplex going south and runs to the through the Texas border all the way to Colorado. Amarillo is also served by Loop 335, which circles the city. US Highway 66 and US Highway 60 also pass through Amarillo.

Amarillo is home to Rick Husband Amarillo International Airport and is served by several major air carriers with non-stop service to Dallas, Houston, Denver, Las Vegas, and Albuquerque. Other

airports in Amarillo are Tradewind Airport and Buffalo Airport, which are smaller general aviation airports.

The BNSF railroad serves a heavy traffic load of over 100 trains today, and The Union Pacific Railroad also serves Amarillo with a substantial amount of shipments. No passenger rail service is available in Amarillo.

More than thirty independent national carriers maintain permanent terminals in Amarillo. These carriers provide both interstate and intrastate transportation of liquid, dry and refrigerated goods and bulk commodities. Long haul carriers can reach all major markets without being interlined with a second carrier. Eight express delivery services provide overnight express parcel services to and from the area. Greyhound Bus Lines and Trailways Bus Lines both have operations in the area.

Lastly, the city of Amarillo has a local transit service that transports approximately 350,000 passengers a year on fixed routes.

#### Governmental, Education, Health, and Recreation

The City of Amarillo and its metropolitan statistical area (MSA) extend across two counties, Potter and Randall. Amarillo serves as the county seat of Potter County; Canyon, located 15 miles south of Amarillo, is the county seat of Randall County. Amarillo wrote its own charter in 1913 and was one of the first cities in the United States to adopt the commission/manager form of government. Under this system, the city is governed by five commissioners (one of whom is the mayor) who are elected for two year term. A professional city manager is employed by the city to be responsible for the overall daily administration and supervision of the municipal affairs.

The city provides police and fire protection as well as public transportation, water, sewer, and trash services. Commercial firms provide gas, telephone, and electrical service. These firms operate through city franchises with the rates controlled by city ordinance. Utility rates typically average among the lowest in the nation.

The residents of Amarillo are provided public education via five school districts. They include the Amarillo Independent School District (AISD), the Canyon Independent School District (CISD), the Bushland Independent School District (BISD), the Highland Park Independent School District (HISD) and the River Road Independent School District (RRISD). These school districts consist of nine high schools, fourteen middle schools and forty-seven elementary schools. There are also several private schools which provide Kindergarten through 12th grade. The majority of these are supported by various religious groups.

Higher education is available at West Texas A&M University, a part of the Texas A&M University system, fifteen miles to the south in Canyon, Texas. West Texas also has a downtown Amarillo campus. According to a 2003 study conducted by WTAMU, the university's total economic impact on Potter and Randall counties exceeds \$250 million annually, creating over 4,200 full-time jobs either directly or indirectly. Approximately 50% of all resident wage earners in the Texas Panhandle who hold a bachelor's degree or higher have a degree from WTAMU. Additionally, Amarillo Junior College, Amarillo Technical Center, Northwest Texas School of Nursing, and a branch of the Texas Tech Medical School, Pharmacy School, and School of Engineering are located in Amarillo. In addition to the regular degree programs, these institutions of higher learning provide a variety of programs to accommodate specialized needs of business, industry and organizations. These programs include continuing education, apprenticeship training, industrial start-up and expansion, contract training, conferences and workshops. This provides a good trained workforce for the area.



Medical facilities include both public and private church supported institutions. The three major facilities include Baptist St. Anthony's Hospital, Northwest Texas Hospital, and the Veteran's Administration. In addition, the regional medical center is in western Amarillo, where three main campuses of these hospitals are located, is continually expanding, adding medical offices and support facilities. Several smaller day surgery centers have opened in recent years.

There are about 165 churches in the city representing 25 denominations. There are six community and youth centers, six public swimming pools, thirty-two tennis court complexes, four public golf courses, and fifty-nine parks. The city supports a symphony orchestra, a community little theater, a fine arts center, a garden center, the Harrington Discovery Center/Planetarium, and the third largest amusement park in Texas. The city also supports minor league baseball, football, and hockey team.

Palo Duro Canyon State Park is located approximately 17 miles southeast of the city. This is the second largest canyon in the country. The play 'Texas' is presented nightly during the summer months and attracts tourist nationally and world-wide.

#### Natural Resources / Agriculture

Amarillo is within the Texas Panhandle Fields, a 1.76 million acre petroleum field that is 30 miles wide and 90 miles long. The discovery of oil and gas during the 1920's played a major role in the early economic development of the area. Approximately 15,000 oil and gas wells are currently producing in the area. Local producers are experimenting with the new horizontal drilling techniques which have added new production to the area. Oil and gas production and revenues have increased significantly in recent years. More than 600 billion cubic feet of natural gas is produced annually in the Texas Panhandle according to Texas Railroad Commission figures. This produces approximately 64.5 million in taxable revenues annually.

2801 Paramount Boulevard

There are more than 6 million acres of irrigated farmland and dryland farms in the surrounding trade area. Amarillo serves as the center for this vast crop and cattle producing area. Farmers and ranchers generate approximately 3 billion dollars a year in sales of their products. Area crops include cotton, grain sorghum, hay, alfalfa, corn, wheat, soybeans, and commercial vegetables. In addition, the world's second largest independent cattle auction is held each week in Amarillo.

#### Area Economic Factors

The city of Amarillo has shown steady increases in population from 1970 to 2010. Below is a table of the ten-year historical census population estimates. Amarillo now ranks fourteenth in comparison with other Texas cities in total population.

<b>Population Year</b>	<b>1960</b>	<b>1970</b>	<b>1980</b>	<b>1990</b>	<b>2000</b>	<b>2010</b>
Amarillo	137,969	127,010	149,230	157,571	173,627	190,695
Percent Change		-7.90%	17.50%	5.60%	10.20%	9.80%

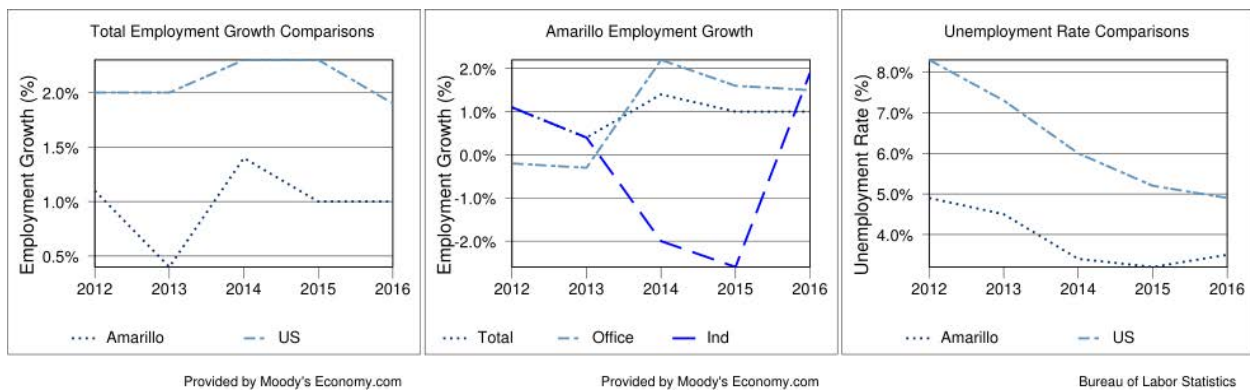
A chart illustrating the historical employment numbers for Amarillo is shown below.

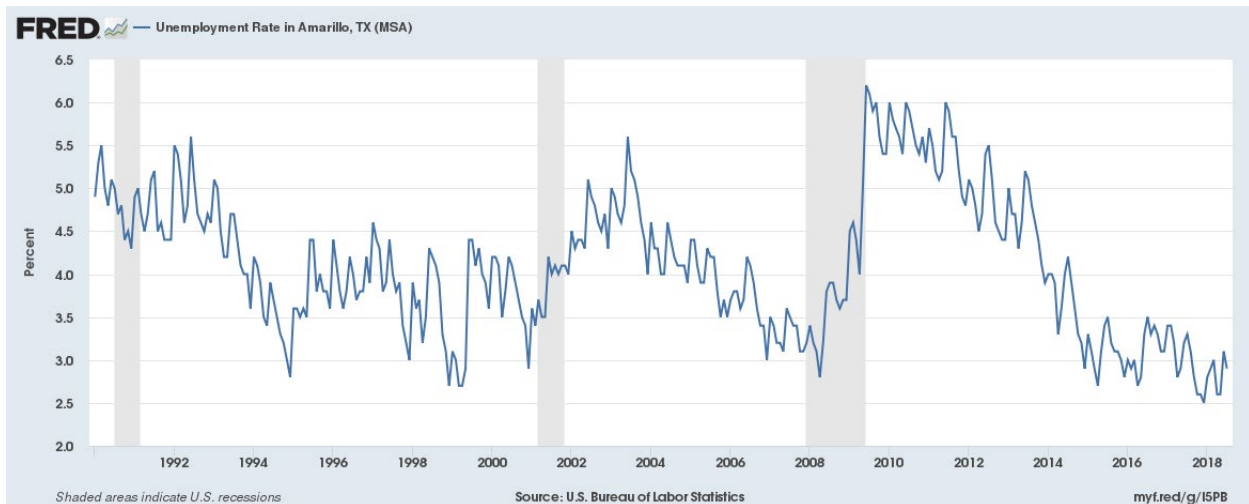
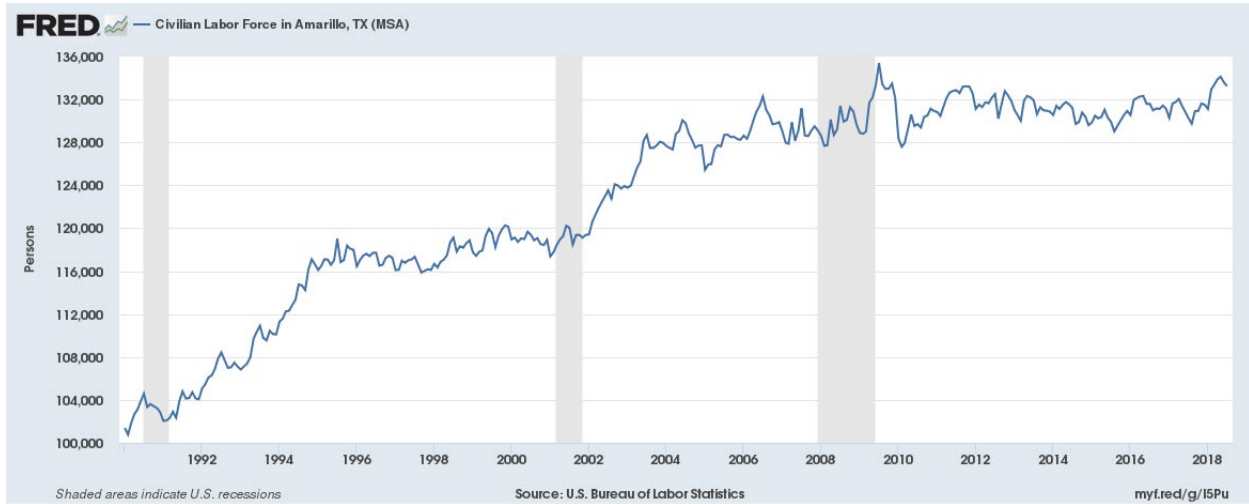
<b>12 Month (Average)</b>	<b>Household Survey</b>	<b>Employers Survey</b>	<b>Average Unemployment</b>
2009	124,333	111,882	4.9%
2010	125,817	110,667	5.6%
2011	126,833	112,200	5.7%

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2012	128,125	114,490	4.1%
2013	129,385	115,750	4.7%
2014	130,800	117,000	4.5%
2015	125,741	116,975	4.0%
2016	124,000	117,000	3.9%

A chart illustrating employment trends and comparisons for Amarillo is shown below.





The Amarillo MSA Labor Force is approximately 133,239 as of July 2018, and the unemployment rate is 2.9%, which is well below the state and national averages. The mixture of skilled, semi-skilled, and unskilled employees is good. The ten largest employers in terms of the number of employees are Amarillo Independent School District, Tyson Foods, B&W Pantex, Baptist St. Anthony’s Healthcare System, City of Amarillo, Northwest Texas Healthcare System, Xcel Energy, Bell Helicopter, Texas Department of Criminal Justice, and Affiliated Foods. Although Lubbock, Amarillo, and Midland-Odessa are significant urban centers, most of the region is sparsely

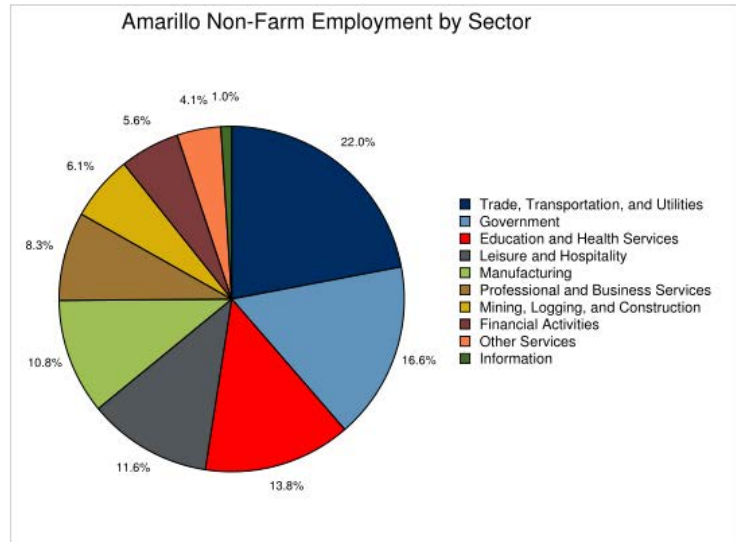
populated, and the rural economy is strongly tied to cotton, cattle, and oil production. The chart below illustrates Employment by Sector of Amarillo.

Labor Force Data (*000)	10/20/2017
Civilian Labor Force	131.4
Employment	127.3
Unemployment	4.1
Unemployment Rate	3.1

**Nonfarm Wage and Salary Employment By Sector (\*000)**

<b>Total Nonfarm</b>	<b>121.0</b>
Trade, Transportation, and Utilities	26.6
Government	20.1
Education and Health Services	16.7
Leisure and Hospitality	14
Manufacturing	13.1
Professional and Business Services	10.1
Mining, Logging, and Construction	7.4
Financial Activities	6.8
Other Services	5
Information	1.2

Bureau of Labor Statistics October 20, 2017



Bureau of Labor Statistics October 20, 2017

Real Estate Market Activity

Amarillo’s economy suffered like the national economy did during the latter part of the 1980's and into the 1990's. During the last half of the 1990's, real estate activity experienced a slowdown due to a downturn in the local economy and in particular, in the agriculture production sectors. Some increases in demand for residential segments of the real estate market have been occurring recently. There are fewer vacancies in retail and commercial properties than in past years. Amarillo did not see the extent of overbuilding which affects the real estate markets in most of the larger cities of the southwest portion of the country. Property values have stabilized from 2001 through 2013 with slow steady growth. Below is a chart of building permits for the city of Amarillo from 2009 to 2016.

<b>Building Permits</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Housing Starts	549	507	553	527	484	454	406	400
Remodels	1,668	2,082	1,945	2,037	1,536	1,752	1,506	1,600
Roof Permits	1,015	1,305	1,044	1,141	17,055	6,304	2,260	1,000
Comm. Units	355	465	508	521	371	512	378	380
Total Value (millions)	\$384	\$384	\$276	\$346	\$480	\$589	\$485	\$450

Building permits remain steady over the last seven years. Due to the large hail storms Amarillo had in the spring of 2013, roofing permits have seen a large increase in 2013 and 2014 relative to other years. There does not appear to be an over building in the residential or commercial sectors according to the chart above.

#### Analysis and Conclusions

Amarillo, Potter and Randall County have a good economic base and show an increasing population over the past decade. There is no one firm or industry which has an overwhelming influence on the local economy. Amarillo has not suffered to the degree that the national economy has during the last few years. Slow but steady growth for all classes is expected to continue for the near term.

It appears that the overall economic conditions are in a stabilized to slow growth phase. As conditions on the national level rebound and improve, there are no reasons why the local economies with local emphasis should not also follow an upward trend. Increased demand for agricultural products, as well as oil and gas, should continue to grow the communities within the Texas Panhandle.

## **NEIGHBORHOOD**

The purpose of the neighborhood analysis is to analyze factors that may affect property values. A neighborhood is defined as “A portion of a larger community, or an entire community, which there is a homogenous grouping of inhabitants, building, or enterprises. Inhabitants of a neighborhood usually have a more than causal community of interest. Neighborhood boundaries may consist of well-defined natural or man-made barriers or they may be more or less well-defined by a distant change in land use or in the character of the inhabitants,”<sup>4</sup>

### Boundaries

The subject’s neighborhood is considered to be in Southwest Amarillo, which is bounded by Interstate 40 on the north, Loop 335 on the south, W Loop 335 and Soncy Road on the west and Washington Street on the east. The general defined area is approximately five miles square.

### Accessibility

Access to the neighborhood is good with Soncy Road, Coulter Street, Bell Street, Interstate 27, Western Street, Georgia Street, and Washington Street serving as primary north/south thoroughfares. The primary east/west thoroughfares are Interstate 40, Arden Road, Hillside Road, W. 45<sup>th</sup> Avenue, W. 34<sup>th</sup> Avenue, and Interstate 40. The subject property is located within Randall County.

### Predominant Land Use and Neighborhood Trends

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<sup>4</sup> Defined in Real Estate Appraisal Terminology, Society of Real Estate Appraisers, Ballinger Publishing Company, Cambridge Massachusetts, 1984.

Uses and Demand		Neighborhood Distances From	
Neighborhood Built Up:	85%	Public Transportation:	In Neighborhood
<b>Land Use:</b>		Freeway:	In Neighborhood
Single Family:	60%	Central Business District:	5 Miles
Multi-Family:	5%	Age Range for Subject:	New to 40 Years
Office:	5%		
Office:	10%		
Commercial/Industrial:	5%		
Vacant:	15%		
Change in Land Use:	Not Likely		
Location:	Urban		
Development Trend:	Stable to Increasing		
Value Trend:	Stable to Increasing		
Rental Demand:	Stable		
Single Family Demand:	Stable to Increasing		
Multi-Family Demand:	Stable		
Office Demand:	Stable		

### Neighboring Property Use and Development

The subject neighborhood is primarily single-family development intermixed with some multi-family dwellings. Commercial, Office, and office development is primarily concentrated along the commercial thoroughfares. Amarillo is expanding south and west, and there is some new residential and commercial development occurring in the southwest portion of the boundary. Further, supportive Office developments such as convenience stores, fast food restaurants, and pharmacies have all developed throughout the neighborhood.



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The neighborhood is within the growth trend for the city of Amarillo. The neighborhood provides an adequate environment for the property being appraised. No adverse conditions noted to affect marketability of subject property. Overall, the subject neighborhood can be considered stable, with a low turnover rate, due to the neighborhood being popular for its multiple uses and good access to all areas of the city, see the location map.

**SITE DESCRIPTION**

Overall Site Size:	29,458 SF or 0.68 Acres	Portion in Use:	29,458 SF or 0.68 Acres
Excess Land Area:	-0-	Site Dimensions:	Approx. 120' – Frontage
Corner Lot:	Yes	Street Frontage:	228.59' – SW 28 <sup>th</sup> Ave

Shape and Area

The subject tract is mostly rectangular and the site area of 29,458 square feet was obtained from the appraisal district.

Utility Services

All typical urban amenities (Electricity, Gas, and Phone) are available to the subject property. Electricity is provided by Xcel Energy and gas is provided by Atmos Energy. SBC and AT&T provide the basic telephones services. Water and sewer are provided by the City of Amarillo. The adequacy of the utilities is good. Police protection is a function of the Amarillo Police Department and county Sherriff's office.

Topography & Flood Zone

The overall site appears to be reasonably level and above the street grade. The subject is not sited in a FEMA Flood Zone according to Map #48381C0090E that is dated June 04, 2010.

#### Easements and Encroachments

The subject site has typical street and utility easements. There does not appear to be any adverse easements or encroachments noted to affect the market value of the site and improvements. There appears to be adequate parking for the improvements and their related activities and off-street parking is permitted.

#### Environmental Issues

No known environmental issues exist. No environmental impact studies were either requested or made in conjunction with this appraisal, and the appraiser hereby reserves the right to alter, amend, revise or rescind any of the value opinions based upon any subsequent environmental impact studies, research or investigation. Unless otherwise stated, the value estimate produced in this report assumes the property to be "environmentally clean". If this appraisal is for proposed construction it is further assumed that the improvements will be constructed in substantial conformity with the plans and specifications which have been furnished to the appraiser, and with good materials and workmanship, and that it will be tenanted and financed as proposed. It is also assumed that the proposed foundation and construction techniques are adequate of the existing sub-soil conditions.

#### Streets

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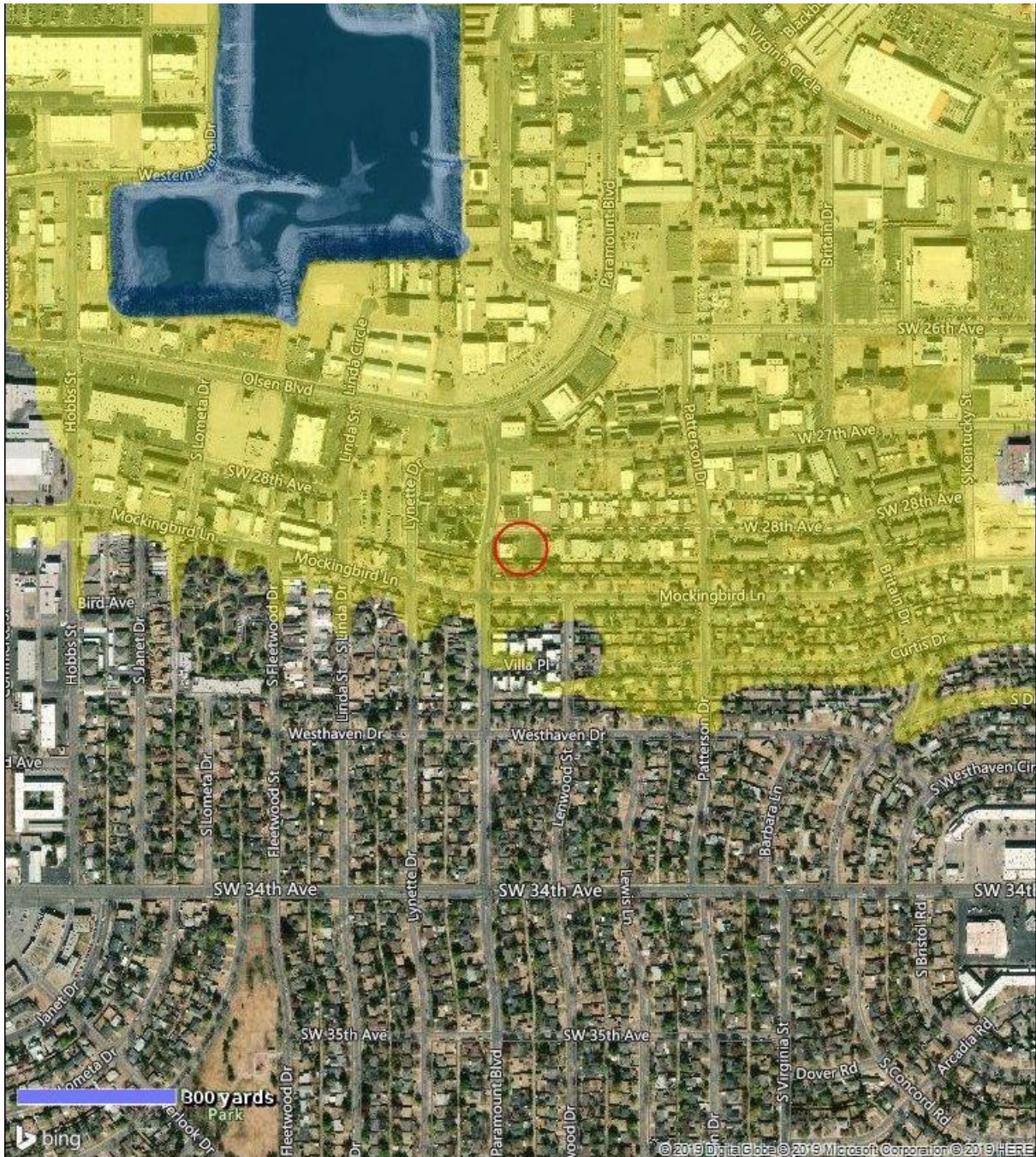
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The subject site has frontage on SW 28<sup>th</sup> Avenue and Paramount Blvd which provides access to the subject site. Traffic patterns and traffic volume are good along Paramount Blvd.

### Zoning

The subject is zoned O-2 – Office District 2 according to the city of Amarillo Zoning Map. This zoning generally allows for properties like the subject. Therefore, the subject property conforms to the zoning and is legally permissible.

### FLOOD MAP



**MAP DATA**

FEMA Special Flood Hazard Area: **No**  
Map Number: **48381C0090E**  
Zone: **X500**  
Map Date: **June 04, 2010**  
FIPS: **48381**

**MAP LEGEND**

- Areas inundated by 500-year flooding
- Areas inundated by 100-year flooding
- Velocity Hazard
- Protected Areas
- Floodway
- Subject Area

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**AERIAL MAP**



## ASSESSMENT AND TAXES

The property under appraisal is subject to ad valorem taxation by the City of Amarillo, Amarillo Independent School District, Randall Hi-Plains Water, Amarillo Junior College, and Randall County.

Randall County administers its own tax program and under contractual agreement collects taxes for the City of Amarillo, Amarillo Independent School District, Randall Hi-Plains Water, and Amarillo Junior College. The following tax rate data was obtained from the Randall County Appraisal District and represents the 2017 Tax Rates.

Taxing Districts	Tax Rate
Randall County	0.431260
Randall Hi-Plains Water	0.006700
Amarillo ISD	1.239000
Amarillo Junior College	0.207500
City of Amarillo	0.368380
Total 2017 Tax Rate Per \$100 Valuation	2.252840

The subject is currently assessed at \$352,191. This assessment appears to be in line with similar properties in the area. There are no taxes on the personal property in the above amounts. The subject could be taxed on these items at some time in the future. No tax rate increases are anticipated for 2018.

The following calculation provides the 2019 taxes for the subject:

Assessed Value	Tax Rate	Per \$100	2019 Taxes
\$352,191	2.252840	Divide / 100	\$7,953.88

## **SUBJECT PROPERTY / IMPROVEMENTS DESCRIPTION**

The subject property is an office building was built in 1975. The building is built on a concrete slab foundation with brick veneer walls, and a built-up roof. The gross building area of the office building is 4,480 square feet. This is also the net rentable square footage of the subject property. The subject property has a 6.65 land/building ratio.

The office area features 9 offices, 2 bathrooms, a break area, conference room, file room and a reception space. The office has standard electrical and plumbing features. The building is finished interior drywall partitions, carpet floor coverings, dropped acoustic ceilings, and fluorescent lighting.

The roof appears to be in need of repair and leaks from previous rains have damaged a significant amount of ceiling tiles throughout the building. These leaks have also soiled some of the floor coverings and has damaged some interior partitions. The property is in need of repair and is considered to be in fair overall condition. No external obsolescence was observed at the time of inspection.

An estimate to replace the roof and damaged awning has been provided by the client and is included in the addendum of the appraisal report. The estimated cost is \$72,809 and does not reflect any interior repairs to the subject.

An estimated effective age of for the subject property is 40 years with an economic life of approximately 50 years. The subject has a remaining economic life of approximately 10 years.

Please see the following descriptions and condition ratings:



2801 Paramount Boulevard

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Building Description		Improvement	Rating
Foundation:	Concrete	Appeal/Appearance:	Good
Frame:	Wood Frame	Floor Plan / Design:	Good
Floor Covering:	Carpet	Construction Quality:	Average
Ceilings:	Finished Drywall	Exterior Condition:	Good
Exterior Walls:	Brick Veneer	Interior Condition:	Good
Interior Partitions:	Finished Drywall	Roof Cover:	Poor
Roof Support:	Wood Frame	Plumbing:	Average
Roof Cover:	Built-Up	HVAC:	Average
Plumbing:	Standard	Electrical:	Average
Heating:	Central	Insulation:	Adequate
Air Conditioning:	Central	Sprinkler:	No
Electrical:	To Code	Parking Areas:	Asphalt
Insulation:	Walls and Ceilings	Landscaping:	Average
Equipment:	N/A	Parking:	Average

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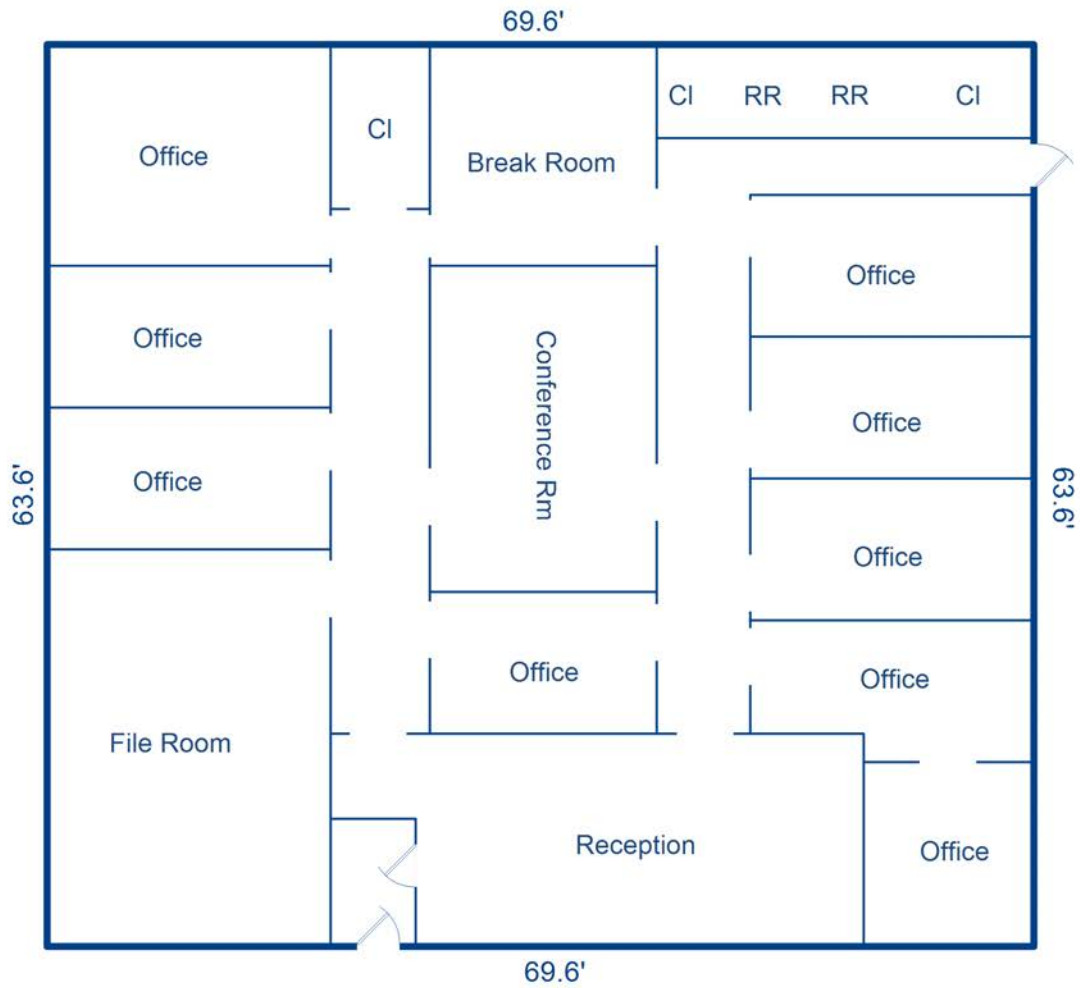
Site Improvements

Site improvements include an asphalt parking lot, signage, concrete sidewalks, curb and gutter.

Personal Property or Other Non-Realty Interests included in the appraisal

None Noted.

**BUILDING SKETCH**



Sketch by Apex Sketch

AREA CALCULATIONS SUMMARY					AREA CALCULATIONS BREAKDOWN					
Code	Description	Factor	Net Size	Perimeter	Net Totals	Name	Base x	Height x	Width =	Area
GBA1	First Floor	1.0	4426.6	266.4	4426.6	First Floor	69.6 x	63.6 x	=	4426.6
	Net BUILDING		(rounded)		4,427	1 total items			(rounded)	4,427

## SUBJECT PHOTOS

Front



Front



Street Looking North



Street Looking South



Side



Side



Rear



Parking Lot



Signage



Reception



File Room



Conference Room





Break Room



Office



Office



Office



Office



Ceiling Water Damage



Ceiling Water Damage



Ceiling Water Damage



Roof Leak



## HIGHEST AND BEST USE ANALYSIS

Real estate is valued in terms of its Highest and Best Use, which is defined as *"the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value."*<sup>5</sup>

Since the use of a site might be limited by the existence of improvements, the Highest and Best Use is determined separately for the site as though vacant and for the site as improved. It is recognized that in cases where a site has existing improvements on it, Highest and Best Use may well be determined to be different from the existing use. The existing use will continue, however, unless and until land value, as vacant, in its Highest and Best Use exceeds the total value of the property in its existing use.

In this section of the appraisal, all of the characteristics of the subject must be considered in the process of four (4) stages, as though vacant and as improved.

### **Highest and Best Use as Vacant**

Legally Permissible Uses: The subject is located inside the city limits and is zoned O-2 – Office District 2. To my knowledge, there are no legal restrictions such as easements or deed restrictions that would effectively limit the use of the property. An office use is legally permissible as though vacant.

Physically Possible Uses: The physical characteristics of the subject site does not appear to impose any unusual restrictions on development and the site is not considered physically restrictive. All utilities are available to the subject site.

### **Financially Feasible Uses**

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<sup>5</sup> The Appraisal of Real Estate, 11th Edition, Chicago: Appraisal Institute, Page 297.

The subject is located in a mostly developed neighborhood and a change in zoning is unlikely. It would be financially feasible to develop the site for an office use.

Maximally Productive Use

The subject's size, location, configuration, surrounding development and the traffic flow and character of the immediate area support a maximally productive use as an office use.

Analysis/Comments

In consideration of the site's location, land use classification, zoning and surrounding uses, the highest and best use for the subject, as if vacant, would be future development for an office use.

**Highest and Best Use as Improved**

Legally Permissible Uses: The subject is located inside the city limits and is zoned O-2 – Office District 2. To my knowledge, there are no legal restrictions such as easements or deed restrictions that would effectively limit the use of the property. An office use is legally permissible as though vacant.

Physically Possible Uses: The physical characteristics of the subject site does not appear to impose any unusual restrictions on development and the site is not considered physically restrictive. All utilities are available to the subject site.

Financially Feasible Uses

Some deferred maintenance and repairs are needed to be completed to utilize the building as an office again. Once the repairs are completed, the improvements should provide a positive return to an owner with minimal deferred maintenance and proper management. Any alternative use of the improvements is unlikely to be economically feasible.

Maximally Productive Use

The subject's size, location, configuration, surrounding development and the traffic flow and character of the immediate area support a maximally productive continued use as an office use.

Analysis/Comments

In consideration of the subject's location, land use classification, zoning, surrounding uses and type and condition of current improvements, the highest and best use for the subject is its current use, an office building.



## THE APPRAISAL PROCESS

A real estate appraisal is an estimate of value supported by employing proper appraisal techniques. Developing an appraisal is solving a problem, which is generally the estimation of market value as of a given date.

The **Appraisal Process** involves the interpretation of the economic, sociological, physical, and political forces that have an effect upon a specific property. Characteristics of each property are unique and differ in many respects. Regardless of the nature of the property, the basic appraisal process is the same. The procedure involves physical inspection and proper identification of the property, preliminary plan, data collection and analysis, application of appropriate approach or approaches to value, reconciliation of value estimates, and a final estimate of market value.

The three (3) approaches employed in the **Appraisal Process** are the **Cost Approach, the Income Approach, and the Market Data or Sales Comparison Approach**. The **Cost Approach** is used to estimate the replacement cost of the improvements less accrued depreciation from all causes, and to utilize the sales of vacant sites, which would be similar to the subject site. Under the **Income Approach**, a typical income and expense schedule is established for the subject property with the resulting net income capitalized to obtain an estimate of value. **The Sales Comparison Approach** utilizes recent sales of similar properties, by comparing them to the property being appraised. This approach is more applicable in estimating land value, because many times sufficient sales data for improved properties is quite limited.

In the final analysis, the different approaches are correlated into a single value conclusion. This is a process by which the appraiser evaluates data; reconciles the facts and observations developed in the three (3) value indicators; and selects a single value estimate which most nearly represents what the typical, informed, prudent, and rational purchaser/investor would pay for the property under appraisal, if it were available for sale on the open market as of the valuation date.

## **VALUATION METHODS EMPLOYED**

### Income Approach / Market Approach

The three approaches employed in the appraisal process are the cost approach, the income approach, and the direct sales comparison approach. The cost approach is used to estimate the replacement cost of the improvements less accrued physical, functional, and external depreciation. The cost approach is not considered reliable for properties in the subject's age range and with considerable deferred maintenance and depreciation. Further, the cost approach is not necessary to produce a credible appraisal result so it is not utilized in this report. Under the income approach, a typical income and expense schedule is established for the subject property with the resulting net income capitalized to obtain an estimate of value. There is reliable data available to utilize the income approach and it is employed. The direct sales comparison approach utilizes recent sales of similar properties by comparing them to the subject property. The direct sales comparison approach is considered the most reliable indicator of value for the subject.

## **INCOME APPROACH**

The Income Approach is a valuation approach predicated upon the 'earnings capacity of the property being appraised. An indication of value is based on the present worth of the future economic returns the property is anticipated to generate over its economic life under typical, but competent, ownership and management. To employ the Income Approach, the appraiser must identify the anticipated economic returns which the subject property is capable of producing in the relevant market environment and identify the relationship between these returns and market value.

The first step in the Income Approach is to estimate the economic rent the subject property can command in the market. Economic rent (market rent) may be defined as:

".. The rental income that a property would most probably command in the open market; it is indicated by the current rents paid and asked for comparable space as of the date of the appraisal."<sup>6</sup>

The rental rates being commanded by comparable facilities are recited on the following pages as evidence of market rent for the subject property.

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<sup>6</sup> (American Institute of Real Estate Appraisers, The Appraisal of Real Estate, 9<sup>th</sup> Ed.) (Chicago: American Institute of Real Estate Appraisers, 1987, 436.)

### **COMPARABLE RENTAL #1**

Property Type: Office  
Address: 2505 Lakeview Dr, Amarillo, Texas  
Year Built: 1980  
Land Size: 115,000 sf  
Building Size: 4,750 sf  
Net Rentable SF: 4,750 sf  
Construction: Stucco Veneer  
Zoning: LC – Light Commercial  
Rental Rate: \$10.00  
Type: Modified  
Comments: This property has a 60-month lease & is located in the LC – Light Commercial.

### **COMPARABLE RENTAL #2**

Property Type: Office  
Address: 6937 S Bell St, Amarillo, Texas  
Year Built: 1999  
Land Size: 54,463 sf  
Building Size: 1,559 sf  
Net Rentable SF: 1,559 sf  
Construction: Brick Veneer  
Zoning: GR – General Retail  
Rental Rate: \$12.00  
Type: Modified  
Comments: This property has a 63-month lease & is located in the General Retail.

### **COMPARABLE RENTAL #3**

Property Type: Office  
Address: 1616 S Kentucky, Suite C-340, Amarillo, Texas  
Year Built: 1976  
Land Size: 164,000 sf  
Building Size: 3,052 sf  
Net Rentable SF: 3,052 sf

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Construction: Brick Veneer  
Zoning: PD – Planned Development  
Rental Rate: \$14.90  
Type: Modified  
Occupancy: 100%  
Comments: This property has a 48-month lease & is located in the PD.

#### **COMPARABLE RENTAL #4**

Property Type: Office  
Address: 4231 Ridgecrest, Amarillo, Texas  
Year Built: 1978  
Land Size: 20,368 sf  
Building Size: 1,800 sf  
Net Rentable SF: 1,800 sf  
Construction: Brick Veneer  
Zoning: GR – General Retail  
Rental Rate: \$8.17  
Type: Modified  
Comments: This property has a 12-month lease.

**RENTAL SUMMARY CHART**

<b>Property Information</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Address	2505 Lakeview	6937 S Bell St	1616 S Kentucky	4231 Ridgecrest
City	Amarillo	Amarillo	Amarillo	Amarillo
Site Size	115,000	54,463	164,000	20,368
Size (sf)	4,750	1,559	3,052	1,800
\$/sf/Year	\$10.00	\$12.00	\$14.90	\$8.17
<b>Physical Adjustments</b>				
Location	Similar	Similar	Similar	Similar
% Adjustment	0%	0%	0%	0%
Building Size	Similar	Smaller	Similar	Smaller
% Adjustment	0%	10%	0%	10%
Site Size	Similar	Similar	Similar	Similar
% Adjustment	0%	0%	0%	0%
Quality	Good	Good	Good	Good
% Adjustment	0%	0%	0%	0%
Condition/Age	Good	Good	Good	Good
% Adjustment	-15%	-15%	-15%	-15%
<b>Net Adjustments</b>	-15%	-5%	-15%	-5%
Adjusted Price	\$8.50	\$11.40	\$12.67	\$7.76

Summary of Subject Lease Rates

The subject property is owner occupied and there is no historical income or expense information available for the subject property.

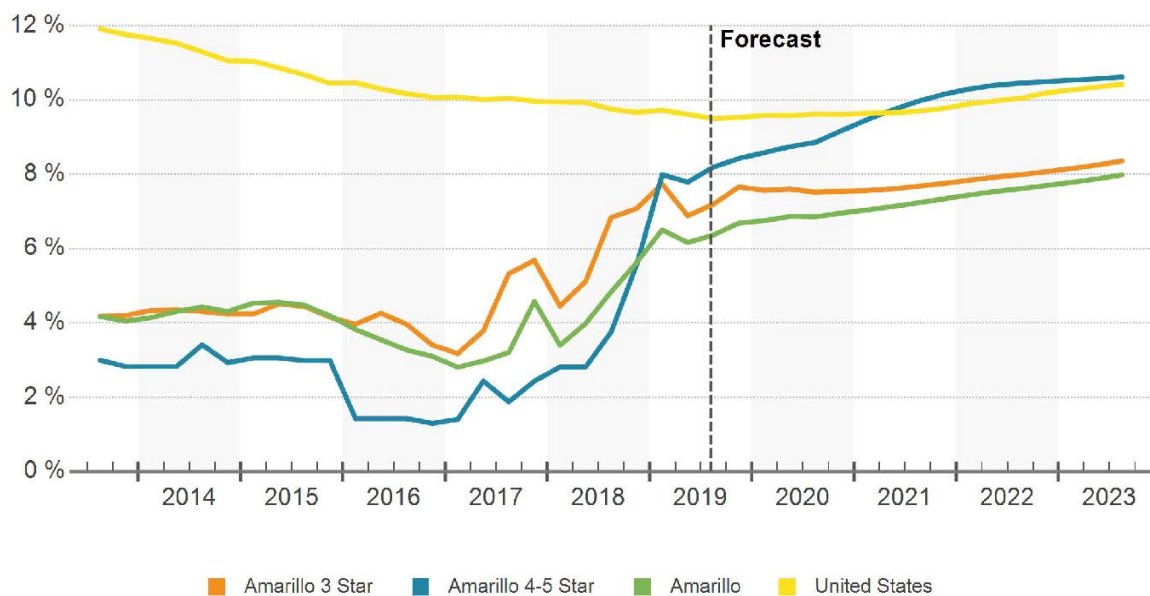
Summary of Market Rent Data

Four comparable rental properties are utilized to find the best indication of market rents for the subject property. A significant condition adjustment was utilized due to the subject having some

deferred maintenance. The above rental survey indicates a rental range from \$7.76/SF/YR to \$12.67 SF/YR for this type property. These rates are primarily modified leases with the tenant paying for utilities and janitorial while the owner pays for real estate taxes, property insurance, and major building maintenance.

An estimated rent of \$9.50 will be employed to estimate a potential gross income (PGI) in the following Forecasted Income Statement.

Vacancy and Collection Loss



An August 2019 office analytics report from Costar indicates a 5.1% vacancy rate for similar type office properties in the Amarillo area. Conversations with local brokers and other stabilized properties in the local market lend support for an occupancy rate of 85-95%. Rent loss is estimated at 2%-3%. Therefore, a vacancy rate of 5% and a rent loss of 2% (7% total) will be utilized to determine Effective Gross Income.

Unit	Potential Gross Income	Vacancy/Loss Rate	Vacancy /Loss	Effective Gross Income
Office	\$42,056	7%	\$2,944	\$39,112

### Operating Expenses

Operating expenses are defined as "periodic expenditures necessary to maintain the real property and continue the production of effective gross income." Expense data from the Costar analytics report provides actual expense data from similar local offices.

Market / Cluster	Utilities	Cleaning	Insurance	Taxes	Other	Total
<b>Amarillo</b>	\$0.38	\$1.09	\$0.22	\$1.70	\$3.89	<b>\$7.28</b>
Amarillo MF	\$0.38	\$1.08	\$0.21	\$1.08	\$3.87	<b>\$6.62</b>

### Additional Income

None Noted.

### Real Estate Taxes

The estimated taxes for 2019 from page 35 is utilized.

### Property Insurance

An estimated property insurance rate is based on other actual expense data. A rate of \$0.22 per square foot is utilized for this item.



### Management

The management fee represents a charge for management of the investment and leasing fees (commissions). Typically, this fee ranges from 5% to 10% of the EGI in the local market. These percentages are based on conversations with local commercial brokers. Due to the subject being primarily managed by a broker, a reasonable rate of 5% is employed, which would include any compensation for leasing commissions.

### Utilities

The utilities expense for the subject will be paid by the tenant.

### Maintenance and Repair

The estimated maintenance expense for the subject was developed from the subject pro forma. This item accounts for repair and maintenance of the building improvements, parking lot, and landscaping. \$1.00/sf is utilized. This expense item is paid for by the tenant and will be reimbursed.

### Reserve for Replacement

This item includes provisions for a reserve amount for replacement of short-lived items including the roof, HVAC, asphalt paving, and interior finish. According to the RealtyRates.com 2<sup>nd</sup> Quarter 2019 survey, reserve requirements for office properties range from \$0.30 to \$0.75 per square foot. I have utilized the average number of \$0.55 per square foot.

RealtyRates.com INVESTOR SURVEY - 2nd Quarter 2019*									
SURVEYED RESERVE REQUIREMENTS									
Property Type	Per SF			Per Unit			% of EGI		
	Min.	Max.	Typical	Min.	Max.	Typical	Min.	Max.	Typical
Apartments				\$160	\$400	\$371			
Golf				\$1,285	\$7,400	\$3,412	2.0%	4.0%	3.0%
Health Care/Senior Housing				\$260	\$715	\$399			
Industrial	\$0.25	\$0.65	\$0.45						
Lodging							4.0%	8.0%	4.5%
Mobile Home/RV Park				\$30	\$290	\$160	2.0%	5.0%	4.0%
Office	\$0.30	\$0.75	\$0.55						
Restaurants							2.0%	5.0%	3.0%
Retail	\$0.30	\$0.90	\$0.59						
Self-Storage	\$0.25	\$0.60	\$0.55	\$30	\$190	\$119			
Special Purpose	\$0.25	\$0.90	\$0.63						

\*1st Quarter 2019 Data

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Net Operating Income

This is the anticipated net income which remains after all operating expenses are deducted from effective gross income, but before debt service for the mortgage and book depreciation are subtracted.

Forecasted Income Statement		
Potential Gross Income		\$42,056
Vacancy/Loss 7%		\$2,944
Effective Gross Income		\$39,112
<u>Expenses</u>		
Taxes	\$7,954	
Insurance	\$974	
Management	\$1,955	
Utilities	\$0	
Maintenance and Repairs	\$4,427	
Reserves	\$2,435	

Total Expenses	(\$17,745)
<b>Net Operating Income</b>	<b>\$21,367</b>

#### Overall Capitalization Rate

The OAR is used to convert an estimate of a single year's income, or an annual average of several year's income expectancy into an indication of value. This range will tend to indicate the general parameters in which investors have chosen to operate similar facilities to the subject.

#### Band of Investment

The band of investment technique "builds" a weighted, market-based overall capitalization rate that is applied to the net operating income to produce a whole-dollar value estimate. The two components are current mortgage terms and return to equity (or "cash-on-cash" return).

RealtyRates.com INVESTOR SURVEY - 2nd Quarter 2019*						
OFFICE - ALL TYPES						
Item	Input					OAR
<b>Minimum</b>						
Spread Over 10-Year Treasury	0.87%	<b>DCR Technique</b>	1.15	0.046847	0.90	<b>4.85</b>
Debt Coverage Ratio	1.15	<b>Band of Investment Technique</b>				
Interest Rate	3.55%	Mortgage	90%	0.046847	0.042163	
Amortization	40	Equity	10%	0.074418	0.007442	
Mortgage Constant	0.046847	OAR				<b>4.96</b>
Loan-to-Value Ratio	90%	<b>Surveyed Rates</b>				<b>4.71</b>
Equity Dividend Rate	7.44%					
<b>Maximum</b>						
Spread Over 10-Year Treasury	5.46%	<b>DCR Technique</b>	2.15	0.115650	0.50	<b>12.43</b>
Debt Coverage Ratio	2.15	<b>Band of Investment Technique</b>				
Interest Rate	8.14%	Mortgage	50%	0.115650	0.057825	
Amortization	15	Equity	50%	0.157787	0.078893	
Mortgage Constant	0.115650	OAR				<b>13.67</b>
Loan-to-Value Ratio	50%	<b>Surveyed Rates</b>				<b>12.99</b>
Equity Dividend Rate	15.78%					
<b>Average</b>						
Spread Over 10-Year Treasury	2.67%	<b>DCR Technique</b>	1.65	0.066972	0.73	<b>8.02</b>
Debt Coverage Ratio	1.65	<b>Band of Investment Technique</b>				
Interest Rate	5.35%	Mortgage	73%	0.066972	0.048555	
Amortization	30	Equity	28%	0.120271	0.033074	
Mortgage Constant	0.066972	OAR				<b>8.16</b>
Loan-to-Value Ratio	72.5%	<b>Surveyed Rates</b>				<b>9.45</b>
Equity Dividend Rate	12.03%					

\*1st Quarter 2019 Data

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RealtyRates.com's 2<sup>nd</sup> quarter 2019 report indicates equity dividend rates for office properties between 7.44% and 15.78% with an average of 12.03%. The average rate of 12.03% is considered reasonable for the subject in view of the good economic outlook for the area and due to the fact that the building is located in a stable market. The same report indicates mortgage rates for the subject's property type from 3.55% to 8.15% with an average of 5.35%. Mortgage/equity ratios range from 50/50 to 90/10 and average 70/30. Observation of local lending practices indicates a 70% loan at 5.0% interest for 25 years would be available for the subject. The mortgage constant for such a loan is .0701. These terms are weighted and combined into an overall capitalization rate as follows:

Mortgage Amount x Constant	=	.70 x .0701	=	.0490
Equity x Equity Dividend	=	.30 x .1203	=	.0361
<u>Indicated Capitalization Rate</u>				<u>.0851</u>
Indicated OAR Range				8.50%

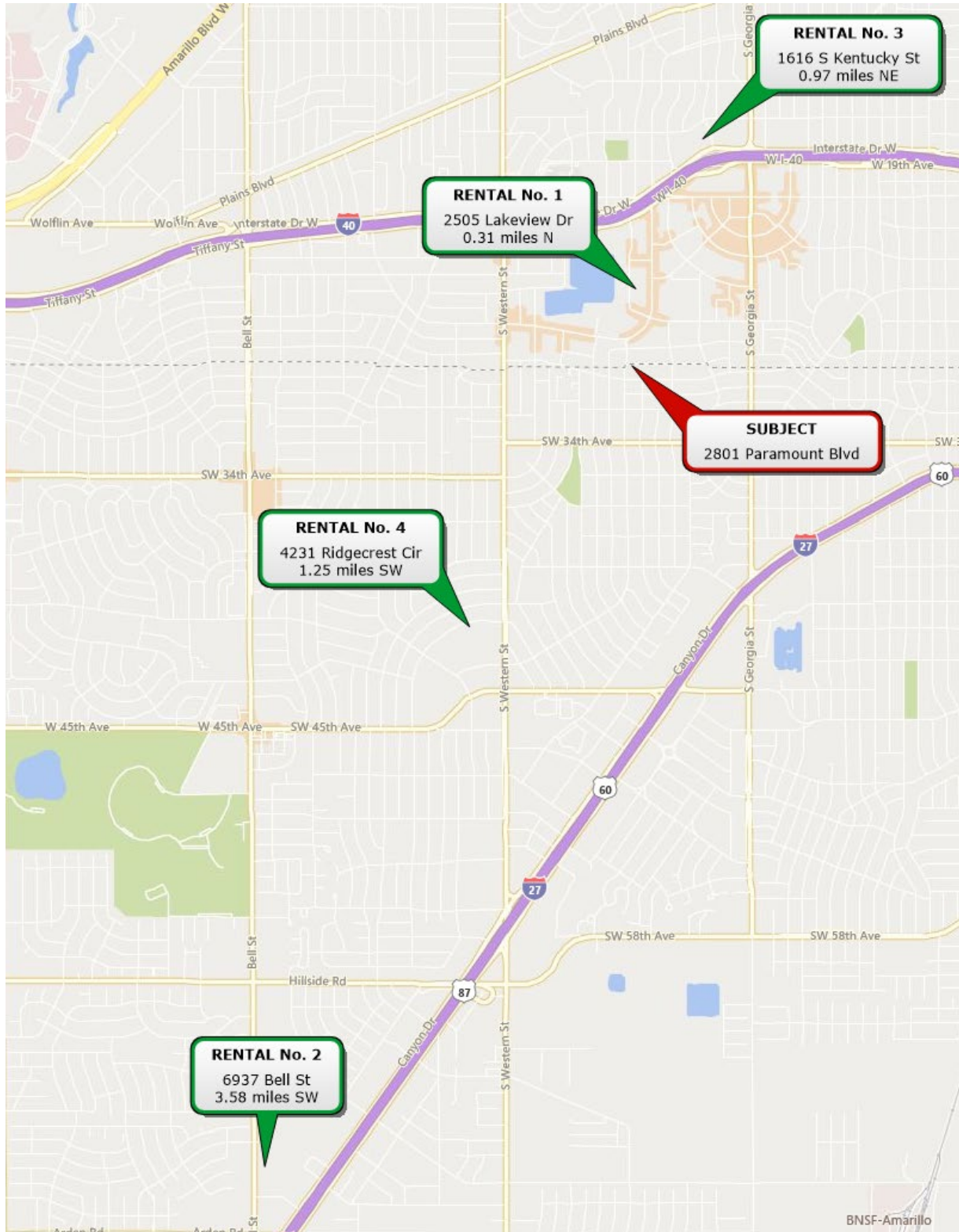
The BOI calculation indicates an 8.5 overall rate. Based on the above data, a reasonable capitalization rate is 8.50% as of the effective date of the appraisal report.

Net Operating Income	Rate	Indicated Value
\$21,367	8.50%	\$251,376
	Rounded	<b>\$250,000</b>

**INDICATED VALUE BY INCOME APPROACH**

**\$250,000**

### RENTAL LOCATION MAP



## **MARKET (DIRECT SALES COMPARISON) APPROACH**

This approach utilizes data by comparing prices paid for similar properties by appropriate units of comparison. These include the selling price per square foot (building) or selling price per space. The subject is evaluated relative to the market sales. Therefore, the applicability and validity of this approach for any given appraisal problem is predicated upon the availability of valid, current sales.

Research of the neighborhood, deed records, and other sources of information has yielded the following recent data on sales of similar facilities. These sales are summarized on the following pages.

The following outlines the procedure followed in applying the Sales Comparison Approach to the subject property.

- **Research the market for sales that are similar to the subject.**
- **Verify the sales information.**
- **Analyze each sale and select the most reasonable unit of comparison.**
- **Compare each sale to the subject and to the other sales and make appropriate adjustments to the sales.**
- **Reconcile the value indications from the adjusted sales into a final value conclusion.**

**COMPARABLE SALE #1**



Property Identification

Property Type: Office  
Address: 4722 S Western St, Amarillo, TX  
Legal: Lot 12, Block 2, Western Plateau Addition #1

Sale Data

Grantor: Estate of Ann Crouch  
Grantee: D & D Adams Management, LLC  
Date of Sale: 09/14/2017  
Verification: Broker / Appraisal District / Appraiser's File

Sales Price \$135,000

Land Data

Land Size: 0.28 acres or 12,197 SF  
Zoning: PD – Planned Development



General Physical Data

Gross Building Area:	4,173 SF
Year Built:	1972
Condition:	Fair
Quality:	Average
# Of Buildings:	1

Income Analysis

Potential Gross Income:	N/A
Effective Gross Income:	N/A
Expenses:	
Net Operating Income:	N/A

Indicators

Sales Price / Gross SF:	\$32.35
EGIM:	N/A
Cap Rate:	N/A

Comments

This office property was sold "as is" and was in need of a new roof and a major remodel.

**COMPARABLE SALE #2**



Property Identification

Property Type: Office  
Address: 801 S Monroe, Amarillo, TX  
Legal: West 100' of lot 10 & all of lot 9, Block 101, Plemons

Sale Data

Grantor: Joshua McAfee  
Grantee: Nathan Morrow  
Date of Sale: 04/26/2019  
Verification: Appraisers File / Appraisal District

Sales Price

\$315,000

Land Data

Land Size: 14,400 SF or 0.33 Acre  
Zoning: LC – Light Commercial

2801 Paramount Boulevard

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General Physical Data

Gross Building Area:	4,787 SF
Year Built:	1957
Condition:	Good
Quality:	Average
# of Buildings:	1

Income Analysis

Potential Gross Income:  
Effective Gross Income:  
Expenses:  
Net Operating Income:

Indicators

Sales Price / Gross SF:	\$65.80
Sales Price / Net Rentable SF:	\$65.80
EGIM:	
Cap Rate:	

Comments

This building is located near the central business district and was in good condition at the time of sale.

**COMPARABLE SALE #3**



Property Identification

Property Type:	Office
Address:	1800 S Hughes, Amarillo, Texas
Legal:	Lot 12, Block 2, Flynn's Addition and irregular portion of Lot 1, Block 2, Newlin's Subdivision

Sale Data

Grantor:	Bradley Dodson Realty, LLC
Grantee:	Anna J Kochanowska Karamyan & Vardan Karamyan
Date of Sale:	08/07/2017
Verification:	Broker / Appraisal District

<u>Sales Price</u>	\$195,000
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Land Data

Land Size:	7,525 SF
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Zoning: O2 – Office District 2

General Physical Data

Gross Building Area: 2,980 SF  
Year Built: 1966  
Condition: Good  
Quality: Average

Income Analysis

Potential Gross Income: N/A  
Effective Gross Income: N/A  
Expenses: N/A  
Net Operating Income: N/A

Indicators

Sales Price / Gross SF: \$65.44  
Sales Price / Net Rentable SF: \$65.44  
EGIM: N/A  
Cap Rate: N/A

Comments

This property is an existing office with a small warehouse. A small portion of the subject has frontage on Interstate 40 west of Washington Street.

**COMPARABLE SALE #4**



Property Identification

Property Type: Office  
Address: 6705 Woodward St, Amarillo, TX 79106  
Legal: Lot 21, Block 5, Westridge Addition #2

Sale Data

Grantor: Robert M Marquez Sr  
Grantee: Dodson & Co, LLC  
Date of Sale: 06/14/2019  
Verification: Broker / MLS / Appraisal District

Sales Price \$260,000

Land Data

Land Size: 14,375 sf or 0.33 acres  
Zoning: GR – General Retail

General Physical Data

Gross Building Area:	4,560 sf
Year Built:	2001
Condition:	Good
Quality:	Average

Income Analysis

Potential Gross Income:	\$
Effective Gross Income:	\$
Expenses:	\$
Net Operating Income:	\$

Indicators

Sales Price / Gross SF:	\$57.02
Sales Price / Net Rentable SF:	\$57.02
EGIM:	
Cap Rate:	

Comments

This office property is located near the medical district and had potential to be a 3-unit property. No deferred maintenance was known and the property was in good condition at the time of sale.

**SALES ADJUSTMENT GRID**

<b>Property Information</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Address	4722 S Western	801 S Monroe	1800 S Hughes	6705 Woodward
City	Amarillo	Amarillo	Amarillo	Amarillo
Date	9/14/2017	4/26/2019	8/7/2017	6/14/2019
Site Size	12,197	14,400	7,525	14,375
Size (sf)	4,173	4,787	2,980	4,560
Land/Building Ratio	2.92	3.01	2.53	3.15
Sale Price	\$135,000	\$315,000	\$195,000	\$260,000
\$/sf	\$32.35	\$65.80	\$65.44	\$57.02
<b>Economic Adjustments</b>				
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple
\$ Adjustment	\$0.00	\$0.00	\$0.00	\$0.00
Conditions of Sale	Normal	Normal	Normal	Normal
\$ Adjustment	\$0.00	\$0.00	\$0.00	\$0.00
Financing	Cash	Cash	Cash	Cash
\$ Adjustment	\$0.00	\$0.00	\$0.00	\$0.00
Adjusted Price	\$32.35	\$65.80	\$65.44	\$57.02
Market Cond. 3%/Yr	5.75%	1.00%	6.00%	0.50%
Adjusted Price	\$34.21	\$66.46	\$69.36	\$57.30
<b>Physical Adjustments</b>				
Location	Good	Good	Superior	Similar
% Adjustment	0%	0%	-10%	0%
Building Size	Similar	Similar	Smaller	Similar
% Adjustment	0%	0%	-5%	0%
Land/Building Ratio	Smaller	Smaller	Smaller	Smaller
% Adjustment	5%	5%	5%	5%
Quality	Average	Average	Average	Average
% Adjustment	0%	0%	0%	0%
Condition	Fair	Good	Good	Good
% Adjustment	0%	-15%	-15%	-15%
Additional Features	None Noted	None Noted	None Noted	None Noted
% Adjustment	0%	0%	0%	0%
Net Adjustments	5%	-10%	-25%	-10%
Adjusted Price	\$35.92	\$59.82	\$52.02	\$51.57



### Market Sales Comments

The market study conducted yielded a very limited number of current sales of similar properties to the subject. The most current and comparable of these sales have been included in the Market Approach. These comparable sales will provide a good indication of value for the subject property. The data includes four sales of similar type properties. Each of the sales utilized are buildings like the subject that have sold and closed. Each of the comparable sales utilized were analyzed in relationship to the subject property. As would be expected various differences were observed. In addressing these differences, paired sales analysis is utilized where possible to isolate adjustments indicated by the market. The various characteristics considered are discussed in the following paragraphs.

### Real Estate Right Conveyed

Real estate interest conveyed in these transactions was of fee simple interest. The sales employed all convey a fee simple interest to the properties sold.

### Financing Terms

The sales utilized were either cash or cash to the seller with conventional third-party financing at market rates. No cash equivalency was considered necessary.

### Conditions of Sale

Special conditions may exist in a real estate transaction, such as assemblage, purchase by adjoining land owner for expansion, lender or regulatory sales or duress involving need for a quick sale. Each of these sales constitute an arms-length transaction and no conditions of sale adjustments are necessary. Further, each of the sales had stabilized occupancies at the time of sale.

### Market Conditions (Time – Sale Date)

This characteristic, commonly referred to as a 'time adjustment', is actually attributable to changing market trends which are discernible over a given time frame. This trend may be caused by inflation, deflation, or an oversupply or undersupply of a given real estate type. The sales employed cover a time frame from 08/2017 to 06/2019. The local market for this property type has been experiencing steady growth during this period and the sales utilized are adjusted at 3% annually for market conditions.

### Location

One of the sales utilized is located on a street with enhanced marketability when compared to the subject location. Therefore, sale three required a location adjustment.

### Physical Characteristics

One of the sales utilized differs significantly in building size when compared to the subject. Typically, in real estate the smaller the size of a building the higher the price per square foot results. Therefore, sales three required a building size adjustment. Other adjustments were necessary for condition.

### Available Utilities

The subject and the sales have mostly similar utilities and the quality of service is considered to be commensurate.

### Zoning

No zoning adjustments are utilized as location adjustments have been applied and those adjustments adequately reflect any differences in zoning that may affect value.

### Conclusion

These adjustments have been extracted through paired sales analysis to provide adjustments for differences between the subject and the sales. The adjusted price per square foot of the comparable sales reflect a range from \$35.92 to \$59.82 per square foot for the subject. The sales utilized are good comparisons for the subject property with adjustments being applied where warranted. Sales two and four are the most similar sales, are recent transactions, and are given the most consideration in determining a market value for the subject. Please see the valuation below:

### Valuation

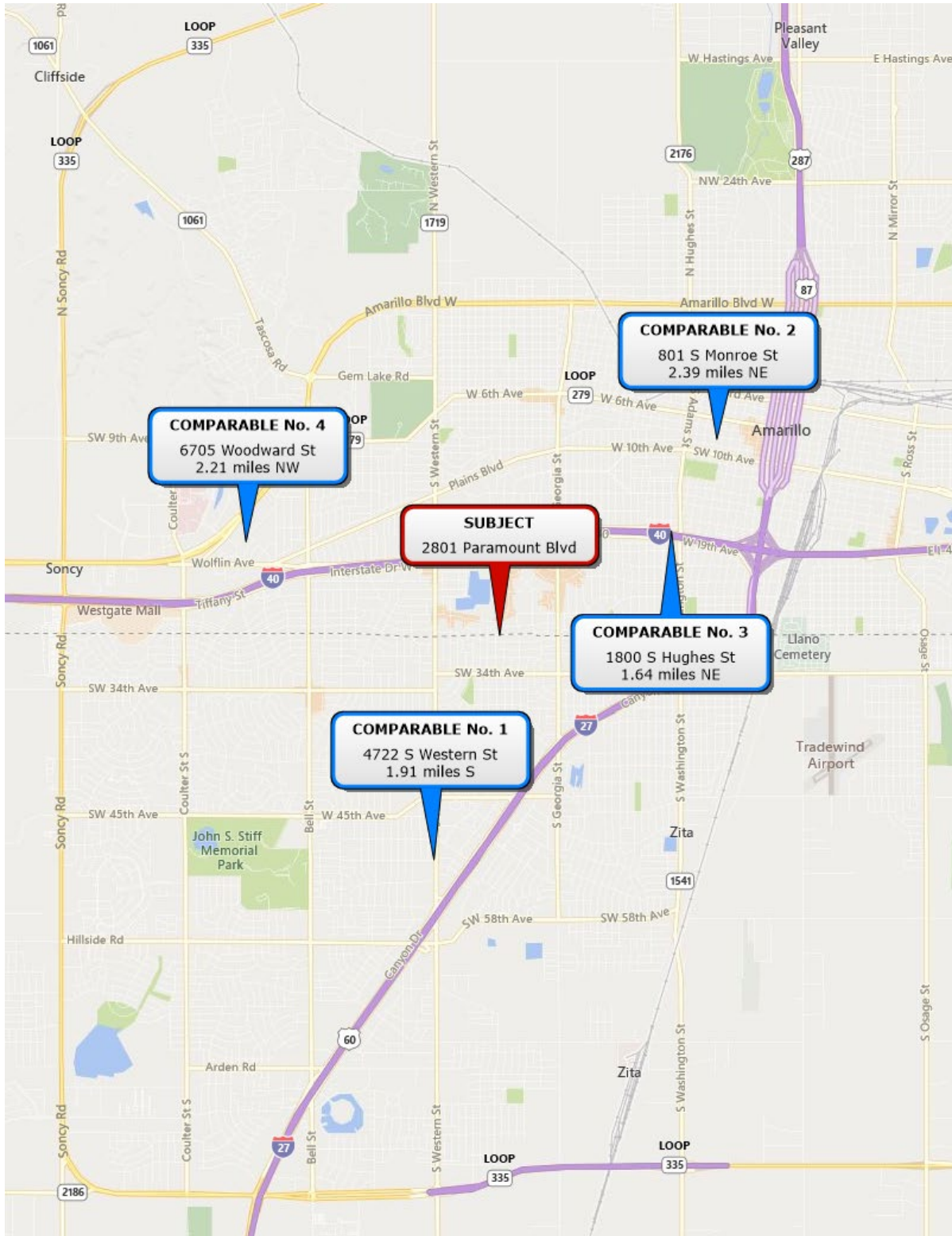
<b>Subject SF</b>	<b>X</b>	<b>\$/SF</b>	<b>=</b>	<b>Value</b>
4,427	X	\$35.92	=	\$159,018
4,427	X	\$51.57	=	\$228,300
4,427	X	\$52.02	=	\$230,293
4,427	X	\$59.82	=	\$264,823
	Say	\$55.00	=	\$243,485
			Rounded	\$245,000

Based on the above analysis and the overall range of adjusted sales, a reasonable and supportable Market Value is \$245,000 for the subject property.

**INDICATED VALUE BY SALES COMPARISON**

**\$245,000**

### LOCATION MAP



**RECONCILIATION AND FINAL VALUE ESTIMATE**

<b>Cost Approach</b>	<b>Not Developed</b>
<b>Income Approach</b>	<b>\$250,000</b>
<b>Market Approach</b>	<b>\$245,000</b>

**RECONCILIATION**Income Approach

The income approach is based on current market rents as demonstrated by as many comparable properties as could be located. The method of capitalization used to convert the net income into an indication of value is the direct capitalization method. This method is generally good for improved properties that are purchased for their ability to produce cash flow. The subject's rents are estimated. The income approach is considered applicable to this assignment and produces a credible result based on the comparable rent properties from the Amarillo market area. The income approach lends support to the final value conclusion.

Sales Comparison Approach

Four comparable sales were employed in the Direct Sales Comparison Approach and were analyzed for an indicated value per square foot. This approach offers a very good indication of what typical properties like the subject might sell for in the marketplace. The four sales of similar type properties from were considered and compared to the subject. Adjusted sales provide a good indication by this approach.

The sales comparison approach is the most relevant in determining a market value for the subject property and is given similar consideration in determining the final opinion of market value.

2801 Paramount Boulevard

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Estimated Exposure Time; Exposure & marketing time of a property vary depending on the marketing capabilities of the owner and/or realtor. Based on exposure times of similar properties within the market area, an exposure time of 12 months is estimated for the subject.

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## **MARKET VALUE CONCLUSION**

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“As Is” Value – July 31, 2019

\$245,000

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## CERTIFICATION

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and they are my personal impartial, and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan. My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- All analyses, opinions, and conclusions have been developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, and the Code of Professional Ethics, and the Standards of Professional Practice.
- I have made a personal inspection of the property and surrounding neighborhood that is the subject of this report.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- I have performed no previous services as an appraiser or in any other capacity, regarding the property that is the subject of the work in this appraisal within the three year period immediately preceding acceptance of this assignment.
- No one provided significant professional assistance to the person(s) signing this report. The effective date of this appraisal is **July 31, 2019**. Based upon the analyses, as set forth

2801 Paramount Boulevard

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in the preceding pages, and upon my experience, it is my opinion that the estimated Market Value of said property, under the assumptions and conditions as stated, as of the effective date of this report, is:

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## **MARKET VALUE CONCLUSION**

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“As Is” Value – July 31, 2019

\$245,000

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Jeremy Baskett  
Certified General Real Estate Appraiser  
TX-1380132-G (Expires 3/31/2020)

August 13, 2019  
Date



2801 Paramount Boulevard

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## ADDENDUM – ROOF ESTIMATE

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Client: Harney Partners  
Property: 2801 Paramount  
Amarillo, TX 79109

Operator: SUPPORT

Estimator: Nick  
Business: 11805 I27 suite 300  
Amarillo, TX 79119

Business: (806) 662-2330  
E-mail: support@texasplainscos.com

Type of Estimate: Hail  
Date Entered: 5/24/2019                      Date Assigned:

Price List: TXAM8X\_MAY19  
Labor Efficiency: Restoration/Service/Remodel  
Estimate: 2801PARAMOUNT

**2801PARAMOUNT****Roof**

<b>DESCRIPTION</b>	<b>QTY</b>	<b>UNIT PRICE</b>	<b>TOTAL</b>
1. Tear off, haul and dispose of modified bitumen roofing	52.74 SQ @	33.87 =	1,786.30
2. Tear off, haul and dispose of modified bitumen roofing	52.74 SQ @		PWI
3. R&R Curb flashing - PVC/TPO	110.00 LF @	19.28 =	2,120.80
We believe we can rebuild the curb flashings on the AC units, however if we are unable to, we will have to detach and reset A/C units which would be an additional \$2,350			
4. R&R Insulation - ISO board, 3"	52.74 SQ @	369.22 =	19,472.66
5. R&R Single ply membrane - Fully adhered system - 60 mil	55.38 SQ @	494.07 =	27,361.60
6. R&R Drip edge - PVC/TPO clad metal	290.00 LF @	4.62 =	1,339.80
7. R&R Sheathing - OSB - 1/2"	2,637.00 SF @	2.09 =	5,511.33
We believe only half of the decking needs to be replaced, due to water damage.			

**Roof Awning**

<b>DESCRIPTION</b>	<b>QTY</b>	<b>UNIT PRICE</b>	<b>TOTAL</b>
8. Metal roofing trim	210.00 LF @	5.11 =	1,073.10
9. R&R Metal roofing - High grade	669.90 SF @	8.52 =	5,707.55

2801 Paramount Boulevard

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**Summary**

Line Item Total	64,373.14
Material Sales Tax	1,817.39
Subtotal	66,190.53
Overhead	3,309.53
Profit	3,309.53
<b>Replacement Cost Value</b>	<b>\$72,809.59</b>
<b>Net Claim</b>	<b>\$72,809.59</b>

---

Nick

## **DEFINITIONS**

### Neighborhood

The Appraisal of Real Estate, 11th Edition, 1996, Page 189, defines the subject neighborhood as, "The area of influence. A neighborhood is a group of complimentary land uses." This area can further be described as a portion of a larger community, or an entire community, which there is a homogeneous grouping of inhabitants, building, or business enterprises. These inhabitants usually have a common interest. Neighborhood boundaries may consist of well-defined natural or man-made barriers or they may be more or less well-defined by a distinct change in land use or in the character of the inhabitants.

### Market Area

The subject's market area is defined as the area which the subject attracts, or draws, its clientele, or customer base. This market area can be within the subject neighborhood or a much larger area located beyond the neighborhood boundaries such as a city, group of cities, counties, state, or region.

### Intended User(s)

The intended user of this appraisal report is the client, as defined, in this report. The borrower is not an intended user of this report even though he or she may rely on its findings, render payment and receive a copy of the report. Under the Equal Opportunity Act as amended in 1991, the borrower has a right to receive a copy of the appraisal report from the lender. In the event that the borrower chooses to take this report to another lender to obtain financing, the appraiser makes it known that he or she has no obligation to discuss the appraisal with another lender or with the borrower. It is understood that other such third parties may obtain a copy of this report and rely on its findings, opinions and conclusions. This report is not subject to review or revision by any such third parties. Any action taken by the borrower, another lender, or third party in the use of this appraisal report, does not constitute an appraiser/client privilege or relationship under any circumstances.

**APPRAISER'S CERTIFICATION**

**Texas Appraiser Licensing and Certification Board**  
P.O. Box 12188 Austin, Texas 78711-2188  
**Certified General Real Estate Appraiser**

Number: **TX 1380132 G**  
Issued: **03/30/2018** Expires: **03/31/2020**  
Appraiser: **JEREMY ROSS BASKETT**

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

  
Douglas E. Oldmixon  
Commissioner

**APPRAISER QUALIFICATIONS****JEREMY BASKETT**

3312 Danvers Drive, Suite A, Amarillo, Texas 79106 | 806-803-9662 | Jeremy@baskettvaluation.com

**EDUCATION**

Southern Nazarene University, Bethany, OK

**B.S. in Marketing** 1998

Amarillo High School

**High School Graduate** 1994**SPECIALIZED COURSES**

Hardin Simmons University

**Uniform Standards of Professional Appraisal Practice** 1999

Southwestern Assemblies of God

**Real Estate Appraisal** 2000

Southwestern Assemblies of God

**Real Estate Principles** 2001

Southwestern Assemblies of God University

**Appraising Residential Properties** 2001

Robinson Real Estate School

**Uniform Standards of Professional Appraisal Practice** 2002

Lon Morris College

**Income Property Appraisal** 2002

Appraisal Institute

**Residential Property Construction & Inspection** 2005

Appraisal Institute

**Residential Design & Functional Utility** 2005

Appraisal Institute

**Appraising from Blueprints & Specifications** 2005

Appraisal Institute

**USPAP 7 Hour Equivalent Course** 2005

Appraisal Institute

**Internet Strategies for Real Estate Appraisers** 2007

Appraisal Institute

**Valuation of Detrimental Conditions in Real Estate** 2007

Appraisal Institute

**Professional Guide to the URAR Report** 2007

Appraisal Institute

**USPAP 7 Hour Equivalent Course** 2007

McKissock

**Mortgage Fraud** 2009

McKissock

**Appraisal Trends** 2009

McKissock

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<b>Appraising Factory Built Housing</b>	<b>2009</b>
McKissock	
<b>USPAP 7 Hour Equivalent Course</b>	<b>2009</b>
McKissock	
<b>Land &amp; Site Valuation for Texas</b>	<b>2011</b>
McKissock	
<b>Introduction to Expert Witness Testimony</b>	<b>2011</b>
McKissock	
<b>Risky Business: Ways to Minimize Your Liability</b>	<b>2011</b>
McKissock	
<b>USPAP 7 Hour Equivalent Course</b>	<b>2011</b>
McKissock	
<b>General Appraiser Site Valuation &amp; Cost Approach</b>	<b>2011</b>
McKissock	
<b>General Appraiser Sales Comparison Approach</b>	<b>2011</b>
McKissock	
<b>General Appraiser Income Approach</b>	<b>2011</b>
McKissock	
<b>General Appraiser Highest and Best Use</b>	<b>2011</b>
McKissock	
<b>General Appraiser Report Writing &amp; Case Studies</b>	<b>2011</b>
Appraisal Institute	
<b>Small Hotel / Motel Valuation</b>	<b>2014</b>
Appraisal Institute	
<b>Subdivision Valuation</b>	<b>2014</b>
Appraisal Institute	
<b>Forecasting Revenue</b>	<b>2014</b>
Appraisal Institute	
<b>USPAP 7 Hour Equivalent Course</b>	<b>2014</b>
Appraisal Institute	
<b>Eminent Domain &amp; Condemnation</b>	<b>2016</b>
Appraisal Institute	
<b>Appraising Convenience Stores</b>	<b>2016</b>
Appraisal Institute	
<b>Rates &amp; Ratios: Making Sense of GIMs OARs &amp; DCF</b>	<b>2016</b>
Appraisal Institute	
<b>USPAP 7 Hour Equivalent Course</b>	<b>2016</b>
Appraisal Institute	
<b>Appraisal of Medical Office Buildings</b>	<b>2018</b>
Appraisal Institute	
<b>Comparative Analysis</b>	<b>2018</b>
Appraisal Institute	
<b>Analyzing Operating Expenses</b>	<b>2018</b>
Appraisal Institute	
<b>USPAP 7 Hour Equivalent Course</b>	<b>2018</b>

McKissock

STATE CERTIFICATIONS

Certified General Real Estate Appraiser

**Texas**

WORK EXPERIENCE

Baskett Appraisal Co. (JRBaskett, Inc.) Amarillo, TX

**Certified General Appraiser, CEO**

**January 2017 – Current**

Providing credible real estate appraisal services, review, and consultation for commercial, residential, land, right of way/ condemnation, farm and ranch properties.

Evans Appraisal Service, Amarillo, TX

**Certified General Appraiser**

**March 1999 – December 2016**

Providing credible real estate appraisal services, review, and consultation for commercial, residential, land, right of way/ condemnation, farm and ranch properties.

Charles "Bob" Rhodes Appraisal Service, Amarillo, TX

**Appraiser Trainee**

**October 1998 – March 1999**

Providing assistance for real estate appraisal services for commercial, residential, land, farm and ranch properties.

PROFESSIONAL ORGANIZATIONS

**Center City of Amarillo**

**2012-Current**

**Amarillo Association of Realtors**

**2002-Current**

CLIENT LISTINGS

Academy Mortgage

AimBank

Amarillo National Bank

Bank of Commerce

Citizens Bank

City of Amarillo

City Bank Lubbock

Commercial State Bank

Harney Partners

Firstbank & Trust of Memphis

FirstCapital Bank of Texas

First State Bank

First United Bank

Happy State Bank

Herring Bank

Interstate Bank

Manning Land, LLC



2801 Paramount Boulevard

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Movement Mortgage  
Plains Land Bank  
Perryton National Bank  
Rockrose Development  
State National Bank of Groom  
Xcel Energy

# **EXHIBIT 3**

**APPRAISAL  
OF  
2801 PARAMOUNT BOULEVARD  
AMARILLO, TEXAS 79109  
RANDALL COUNTY, TEXAS**

**FOR**

**HARNEY PARTNERS  
C/O GREGORY S. MILLIGAN CTP  
FROST BANK TOWER  
401 CONGRESS AVENUE #1540  
AUSTIN, TEXAS 78701**

**AS OF  
AUGUST 19, 2019**

**BY**

**JOHN B. DUDLEY SRA dba GAUT APPRAISAL SERVICE  
1102 INTERSTATE 40 WEST OR PO BOX 2001  
AMARILLO, TEXAS 79105  
(806) 373-8355  
[john.dudley@amarilloappraisers.com](mailto:john.dudley@amarilloappraisers.com)**





August 23, 2019

Harney Partners  
C/O Gregory S. Milligan CTP  
Frost Bank Tower  
401 Congress Avenue #1540  
Austin, Texas 78701

RE: Appraisal of 2801 Paramount Blvd  
Amarillo, Randall County, Texas 79109

Dear Mr. Milligan

In compliance with your request, I submit the Market Value appraisal of referenced property.

The intended user of this report is Harney Partners, C/O Gregory Milligan. The intended use of this report is to determine an estimate of market value for the subject.

The purpose of this appraisal was to estimate Market Value of the fee simple interest, land and improvements, as of August 19, 2019. Referenced property is legally described in this report

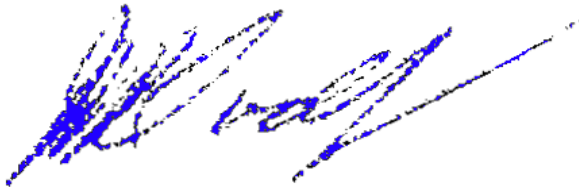
From and after an on-site inspection of referenced property and careful consideration of available data, it is the opinion of the undersigned appraiser that the Market Value of the referenced property, land and improvements is:

**ONE HUNDRED SEVENTY FIVE THOUSAND DOLLARS**  
**\$175,000.00**

I hereby certify that I have personally inspected the herein described property and that I have no present or contemplated interest in the property under appraisal.

This appraisal has been made in accordance with the rules and professional ethics of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice. If you have any questions, please do not hesitate to contact me. I appreciate the privilege of making this report for you.

Very truly yours,

A handwritten signature in blue ink, appearing to read "John B. Dudley". The signature is stylized and somewhat cursive, with a long horizontal stroke extending to the right.

John B. Dudley, SRA

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## SUMMARY & SALIENT FACTS & CONCLUSIONS

TYPE OF APPRAISAL REPORT:	Summary Appraisal report
SUBJECT PROPERTY:	2801 Paramount Boulevard Amarillo, Texas 79109
PURPOSE OF THE APPRAISAL:	To estimate market value
DATE OF VALUATION:	August 19, 2019
REAL ESTATE INTEREST APPRAISED:	Fee Simple Interest
SIZE OF SITE:	29,458 square feet of land more or less
IMPROVEMENTS:	A single story office building containing some 4,419 square feet more or less built in 1975.
ZONING:	"O-2" Office District 2
HIGHEST AND BEST USE:	Office Use
VALUE INDICATION:	Sales Comparison Approach Land And Improvements \$175,000.00  Cost Approach Not Utilized  Income Approach \$193,000.00
FINAL VALUE ESTIMATE:	\$175,000.00
POTENTIAL ENVIRONMENTAL HAZARDS:	Subject appears to be located in HUD Flood zone.



PHOTO SUBJECT PROPERTY

FRONT VIEW FACING EAST



REAR VIEW FACING WEST



LEFT VIEW FACING SOUTHEAST



RIGHT VIEW FACING WEST

STREET VIEW PARAMOUNT BOULEVARD  
FACING NORTH



FACING SOUTH

STREET VIEW SOUTHWEST 28<sup>TH</sup> AVENUE  
FACING WEST



FACING EAST

**VARIOUS INTERIOR PHOTOS**



From PICS - "TOTAL" aerial software by Lunode Inc. - 1-800-ALABODE

OBJECTIVE, PURPOSE, FUNCTION & INTENDED USE OF APPRAISAL

The objective of this appraisal is to arrive at a supportable estimate of market Value, as defined, for an office building located in Amarillo, Texas. The purpose of the appraisal is to provide an opinion of market value of the subject property as defined in this report on behalf of the client facilitating the assignment as the intended user of the report. The only function of the appraisal is to assist the client mentioned in this report in evaluating the subject property to determine an estimate of market value. The use of this appraisal by anyone other than the intended user, or for any other use than the stated intended user, is prohibited.

DEFINITION OF MARKET VALUE:

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

- \* Buyer and seller are typically motivated;
- \* Both parties are well informed or well advised, and acting in what they consider their own best interest;
- \* 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.

## IDENTIFICATION OF THE PROPERTY

Lots 13-15, Block 5, Lawrence Park #4, an addition to the City of Amarillo, Randall County, Texas.

## SCOPE OF THE APPRAISAL

The scope of this appraisal includes inspection of the property, considering market trends, collecting and analyzing pertinent data, developing an opinion of the subject property's estimated value and reporting the findings in this report. Real estate professionals and municipal offices in and around the subject property's market area will be consulted in the process of collecting and verifying data.

## HISTORY OF THE PROPERTY

Per the Potter/Randall County Appraisal District, the subject has not transferred title in the past (5) five years.

## COMPLIANCE WITH USPAP

This appraisal report conforms to the Uniform Standards of Professional Appraisal Practice.

## TYPE OF APPRAISAL REPORT

This is a Summary Appraisal Report format.

## DISCLOSURE OF COMPETENCY

The appraiser possesses the appropriate knowledge and experience to complete the assignment.

## PERSONAL PROPERTY

None considered in this report.

## Marketing time and Exposure Time

A reasonable marketing time for the subject property is 9-12 months utilizing market conditions pertinent to the appraisal assignment. A reasonable exposure time for the subject property is 9-12 months.

### EMPLOYMENT

Employment of appraiser not conditioned upon the appraisal producing specific value or value in a given range or approval of a loan.

### EFFECTIVE DATE OF APPRAISAL

In preparation of this appraisal report, a personal inspection of the property and neighborhood was made on August 18 and August 19, 2019. August 19, 2019 will serve as the effective date for this report.

### AUTHORIZATION

This report has been prepared at the special request and authorization of Harney Partners, C/O Gregory S. Milligan CTP, Frost Bank Tower, 401 Congress Avenue #1540, Austin, Texas 78701

### MAP SOURCE

Included as part of this appraisal are maps, exhibits, and photos. These maps and exhibits may not represent accuracy, but they adequately serve as visual purposes.

### PROPERTY RIGHTS APPRAISED

Property rights appraised are fee simple title ownership. Fee simple title ownership includes the greatest number of rights which may be lawfully owned, which include the right of use, to sell, to lease, to encumber by mortgage, to will any rights, or the right to refuse to exercise any of these rights. Fee simple title is subject only to four governmental restrictions; escheat, police power, taxation, and eminent domain.

This property is evaluated as if free and clear as without liens and encumbrances. However, since rights in realty are separate and divisible, these rights may be encumbered by mortgage financing.

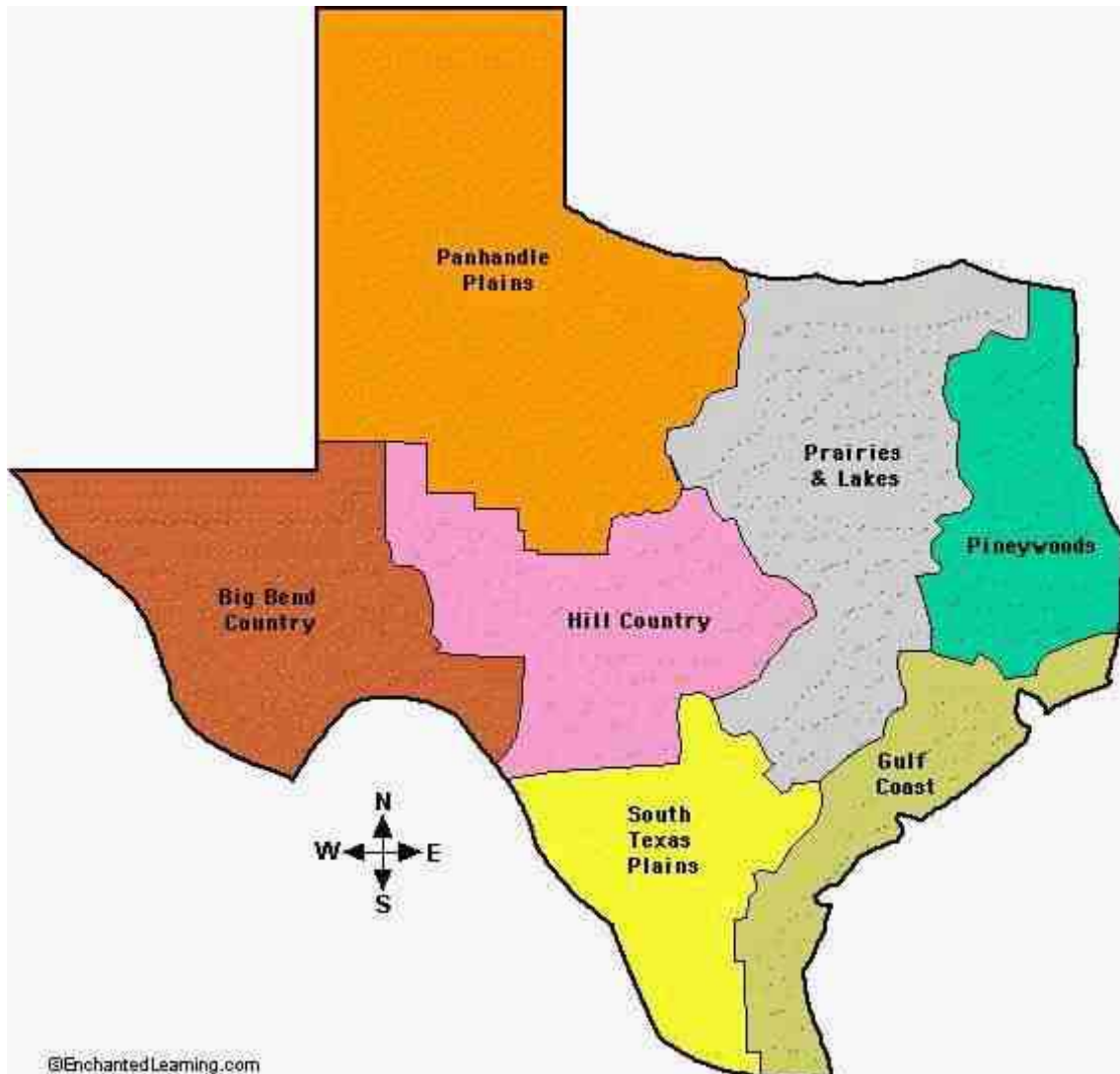


TAXES AND ASSESSMENT DATA

The subject is owned by Jay B Ledford. Per the Potter/Randall County Appraisal District the subject is being assessed at \$2.252840 per \$100. Assessed value.

<u>Assessed Value</u>	<u>Taxes</u>
\$352,191.00	\$7,934.30

## AREA MAP



AREA ANALYSIS

Amarillo Texas is located in the center of the nation’s largest cattle-feeding region. It is highly diversified economically with 6 ½ million acres of irrigated farming, agricultural-oriented industry, oil and gas production and a vast petro-chemical complex. The city is located in the center of the Texas Panhandle, which is comprised of twenty six counties. The metropolitan area consists of Potter and Randall counties and is the tenth largest city in Texas. Located beneath the Texas Panhandle is one of the nation’s largest oil and gas fields, the Panhandle Field that has been producing hydrocarbons since the 1920’s. The distance to major surrounding cities is Dallas, 356 miles; Albuquerque, 281 miles; Denver, 421 miles and Oklahoma City, 245 miles.

CLIMATE

The air over Amarillo is rated the cleanest in the nation and because of its altitude (3,671 feet), is known as having the “Coolest Summer Nights in Texas”. The average annual temperature is 57.2 degrees with a January average of 35.4 degrees and a July average of 91.4 degrees. Average annual rainfall is 20.41 inches; average annual snowfall is 15.4 inches.

POPULATION

Amarillo and the Metropolitan Statistical Area (MSA) have experienced a growth over the past decade. Amarillo has an estimated present population of 188,464.

	<u>2000</u> <u>Census</u>	<u>2010</u> <u>Census</u>	<u>2015</u> <u>Census</u>	<u>2020</u> <u>Projection</u>
City of Amarillo	173,627	190,625	191,415	200,986

Data Source: Amarillo Chamber of Commerce

HEALTH CARE

Amarillo is home to medical facilities including BSA Heathcare System and Northwest Texas Hospital, the Amarillo VA Health Care System, the Pavilion of the Northwest Healthcare System, the Don & Sybil Harrington Cancer Center, Texas A&M Veterinary Diagnostic Laboratory, Bivins Memorial Nursing Home, Texas Tech University Health Sciences Center, Texas Tech School of Pharmacy and Texas Panhandle Mental Health and Mental Retardation. All are located in the Harrington Regional Medical Center, the first specifically designated city hospital district in Texas.

EMPLOYMENT

## Amarillo's Top 25 Major Employers:

<u>Name</u>	<u>Product of Service</u>	<u>Employees</u>
Amarillo I.S.D.	Education	4391
Tyson Foods	Distributor	4280
CNS Pantex	Government Contractor	3203
BSA Healthcare System	Healthcare	3200
And Don & Sybil Harrington Cancer Center		
City of Amarillo	Municipal Government	1748
Canyon ISD		1679
Affiliated Foods	Distributor	1400
Wal-Mart Supercenter	Retail Store	1359
Northwest Texas Healthcare System	Healthcare	1393
Bell Helicopter	Aerospace	1000
Texas Dept. of Criminal Justice (Neal & Clements)	Corrections	1303
Amarillo VA Health Care System	Healthcare	984
United Supermarkets	Grocery Store	900
Xcel Energy	Electrical Utility	859
West Texas A&M University/ WTAMU Foundation	Education	850
Burlington Northern Santa Fe	Transportation	805
Toot'n Totum Food Stores	Convenience Store	800
Texas Tech University Health Sciences Ctr.	Healthcare	669
Amarillo College	Higher education	600
Amarillo National Bank	Banking	553
Owens Corning	Manufacturing	586
Maxor National Pharmacy	Pharmacy	567
Baptist Community Services/ Park Central Senior Living/ Ware Living Center	Retirement	401
Asarco LLC	Copper Refinery	400
Potter County Court House	Government	389

### LABOR FORCE

Civilian Labor Force	131,600 (October 2017)
Unemployment	3200

### FINANCE

Mortgage financing is available through the banks, mortgage lending companies as well as government mortgage financing, the Veterans Administration and the Federal Housing Administration. Interest rates range from 3.04% to 3.74% for a fixed rate conventional mortgage. There are approximately 16 banks in Amarillo with approximately 62 branches. Mortgage loans are also processed through various local credit unions.

### TRAFFIC AND STREETS

The dominant thoroughfare pattern in Amarillo is a gridiron type pattern based upon major thoroughfares along each section line. These thoroughfares normally bound each neighborhood and provide high volume traffic and access to the area. Most streets in Amarillo are asphalt paved with concrete curb and gutters. There are however unpaved streets in certain quadrants of the city such as the northeast quadrant and southeast quadrant. The newer neighborhoods such as those found in the southwest and northwest quadrant of the city have curvilinear streets, cul-de-sacs and loop streets connected to the bounding major thoroughfares. Some of the streets in the downtown areas are brick paved. There is a loop, which encircles the city and makes traffic flow more freely.

### HOUSING

Amarillo has one of the most affordable housing markets in the nation. The 2018 average sales price for homes was \$192,683.00. And the median home sales price was \$163,500. A total of 539 new single-family homes were permitted by the City of Amarillo in 2018 an increase of 12.53% from the previous year. (Per Caldwell Banker Realtors)

### UTILITIES

Xcel Energy provides electricity. The city of Amarillo provides the water with sources being Lake Meredith and wells. All users pay a fixed rate based on the size of water meter. Atmos Energy provides gas. AT&T and several other providers, provides local telephone service.

### GOVERNMENT SERVICES

Governor, Lieutenant Governor and other executive branch elected officials serve four year terms with elections in non-presidential years. In each Potter and Randall Counties there is a judge and four commissioners, serving four year staggered terms. Judges serve as chief administrators and all commissioners exercise legislative authority. The City of Amarillo has a mayor and four commissioners, serving two year terms. A full time city manager exercises executive authority. The Police Department has 343 full time officers. The two counties that make up the Amarillo MSA have services by County Sheriffs, full-time deputies and reserve deputies. The Fire Department has 263 full-time firefighters at thirteen fire stations. Both counties in the Amarillo MSA have a volunteer fire department. The Amarillo Medical Services (AMS) operates the ambulance and paramedic service with ground and air medical transportation.

### INDUSTRIAL AND COMMERCIAL SITES AND BUILDINGS

There are many industrial sites in Amarillo with land prices ranging from \$2,500.00 to \$50,000.00 per acre. Many of these independent sites are located near the airport, interstate highway and city loop highway. Sites are available from one acre up to 640 acres. Several industrial buildings are available in the 2,400 to 140,000 square foot range. Office space is available up to 50,000 square feet. Build-to-lease arrangements are available with a number of local contractors and developers for both industrial and commercial facilities.

### EDUCATION

Amarillo has 37 elementary schools, 12 middle schools and 4 high schools, plus AACAL (Amarillo Area Center for Advanced Learning), North Heights Alternative School and 3 magnet schools. There are also several private schools. The public schools have special programs such as gifted and talented, vocational, special education, etc. The Amarillo I.S.D. has an expenditure of \$7792.00 per student enrolled. There are numerous post secondary education institutions which include Amarillo Community College, West Texas State A&M University, Texas Tech University Medical School, Texas Tech University Graduate engineering program and School of Pharmacy. Amarillo is also home to a branch of Wayland

Baptist University which offers a variety of courses. The Texas Tech University Health Science Center at Amarillo provides education for medical students and residents in four different specialties, including the School of Medicine, School of Nursing, School of Pharmacy and School of Health Professions.

### TRANSPORTATION

The community is served by several four-lane national highways including Interstate 40 and Interstate 27. Freight carriers serve the city and Panhandle region. Burlington Northern Santa Fe Railroad also intersects Amarillo has direct flights to Dallas Love Field, DFW International Airport and Houston Bush Intercontinental Airport. Amarillo also has a direct flight to Denver, Las Vegas and Phoenix. Amarillo handles around 38 inbound and outbound flights per day no including charter flight services. Amarillo is also served by Greyhound Bus Lines and several limousine services. Motor freight services include: Allied Courier Services, Baldwin Express, FedEx Freight and Ground, United Parcel Service and the United States Postal Service.

### GENERAL

Newspapers	Amarillo Globe News
Radio Stations	23 AM and FM stations
Televisions Stations	13 stations
Golf Courses	2 country Clubs & 2 36-hole public golf courses
Parks	64 parks and recreation areas
Churches	250 Amarillo and Canyon Area
Libraries	5
Hotels and Motels	60 +/-

Other community recreations include: Palo Duro Canyon State Park and Amphitheater, Panhandle-Plains Historical Museum, Musical Drama "Texas", Wonderland Amusement Park, Lake Meredith/Alibates National Monument, Amarillo Symphony, Lone Star Ballet, Amarillo Opera, Amarillo Little Theater, Art Center, Discovery Center and Planetarium, Splash Water Park, Route 66 Historic District, Big Texan Steak Ranch, Cal Farley's Boys Ranch, American Quarter Horse Heritage Center & Museum, The Cadillac Ranch, Various Rodeos, National Equine Events and various minor league sports teams.

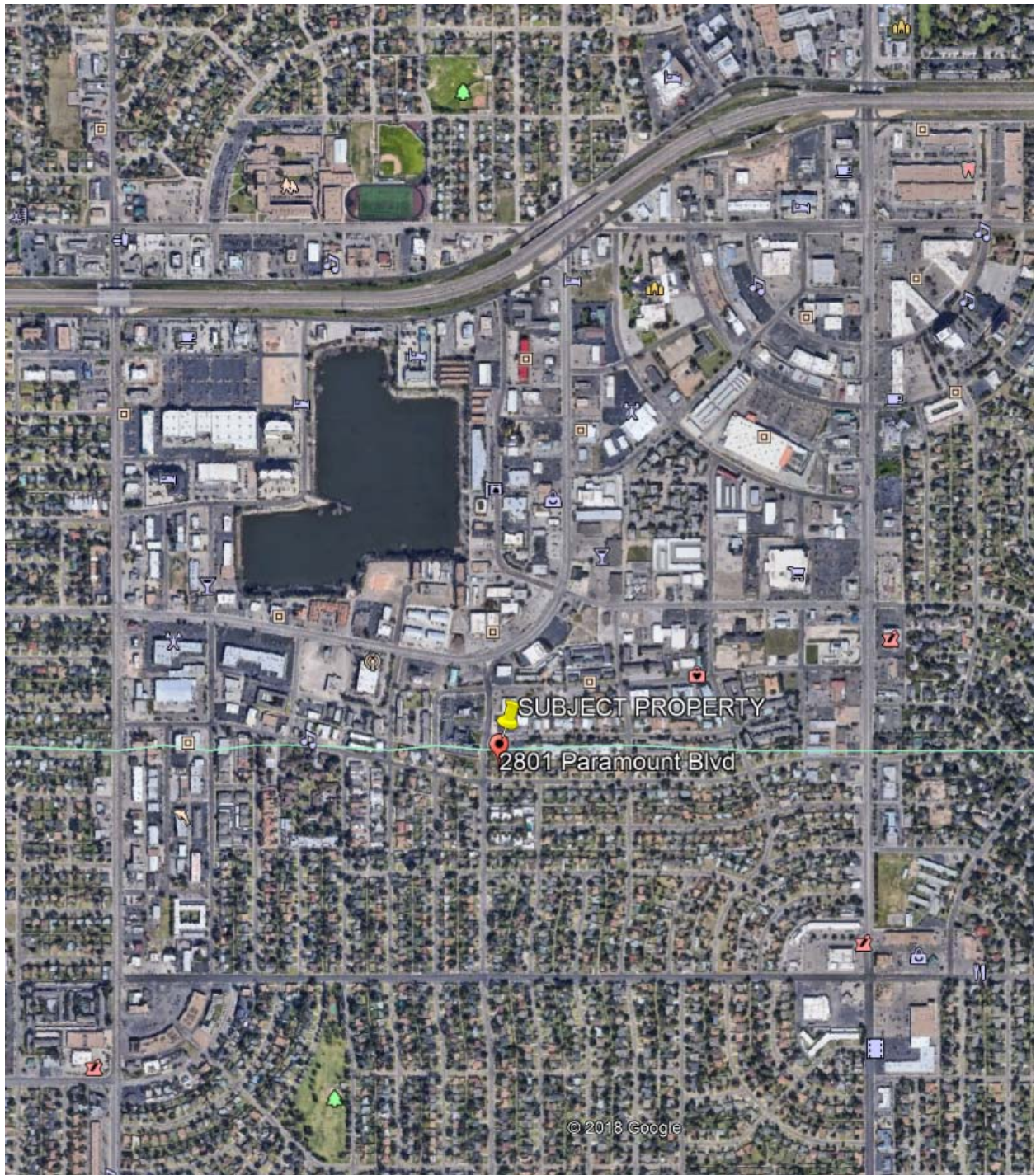
The above statistics are the most current figures from the Amarillo Chamber of Commerce as of 2018.

## BRIEF NEIGHBORHOOD DESCRIPTION

The subject neighborhood is located in the southwest quadrant of the City Of Amarillo in an area of mixed uses which includes, residential and commercial uses and a large amount of multi-family units. Neighborhood boundaries are Interstate 40 to the north, Western Street to the west, Southwest 34<sup>th</sup> Avenue to the south and Georgia Street to the east. The neighborhood is approximately 95% built-up with limited vacant land scattered throughout the neighborhood. Present land uses are approximately 45% one unit residential, 25% multi-family, 25% commercial and 5% in vacant land. Numerous properties in the area have been demolished and new updated office/retail buildings constructed.



**AERIAL MAP**



### **BRIEF SITE DESCRIPTION**

The subject site is located approximately (3.5) miles southwest of the downtown business district of Amarillo. It is an irregular corner tract of land, containing a reported 29,458 square feet of land more or less per the Potter/Randall County Appraisal District. It is zoned "O-2" Office District 2. This site is improved with an office building containing approximately 4,419 square feet. This site has some 112.62' of asphalt paved frontage along Paramount Boulevard and 228.59' of asphalt paved frontage along SW 28<sup>th</sup> Avenue. This tract of land compares favorable with other sites in the area in respect to zoning, taxes, drainage and utilities. This is a fairly level site and appears to have adequate drainage. The subject appears to be located in a HUD Flood Zone per Flood Map found on following pages. There is asphalt paved parking on the north and east sides of the building which is in fair to average condition. No other adverse influences were observed and all public utilities are available.

#### **INGRESS AND EGRESS**

The traffic flow to and from this location appears good when compared to other properties located in the area. Access to the subject is from Paramount Boulevard and SW 28<sup>th</sup> Avenue.

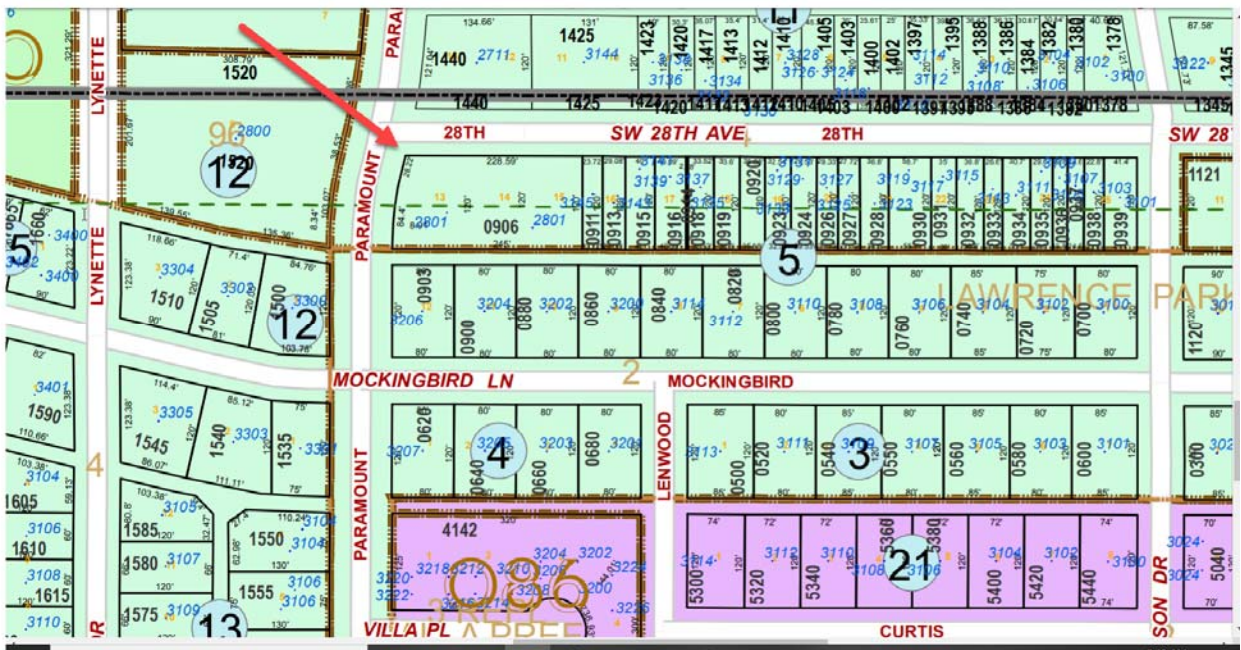
#### **ZONING AND EASEMENTS**

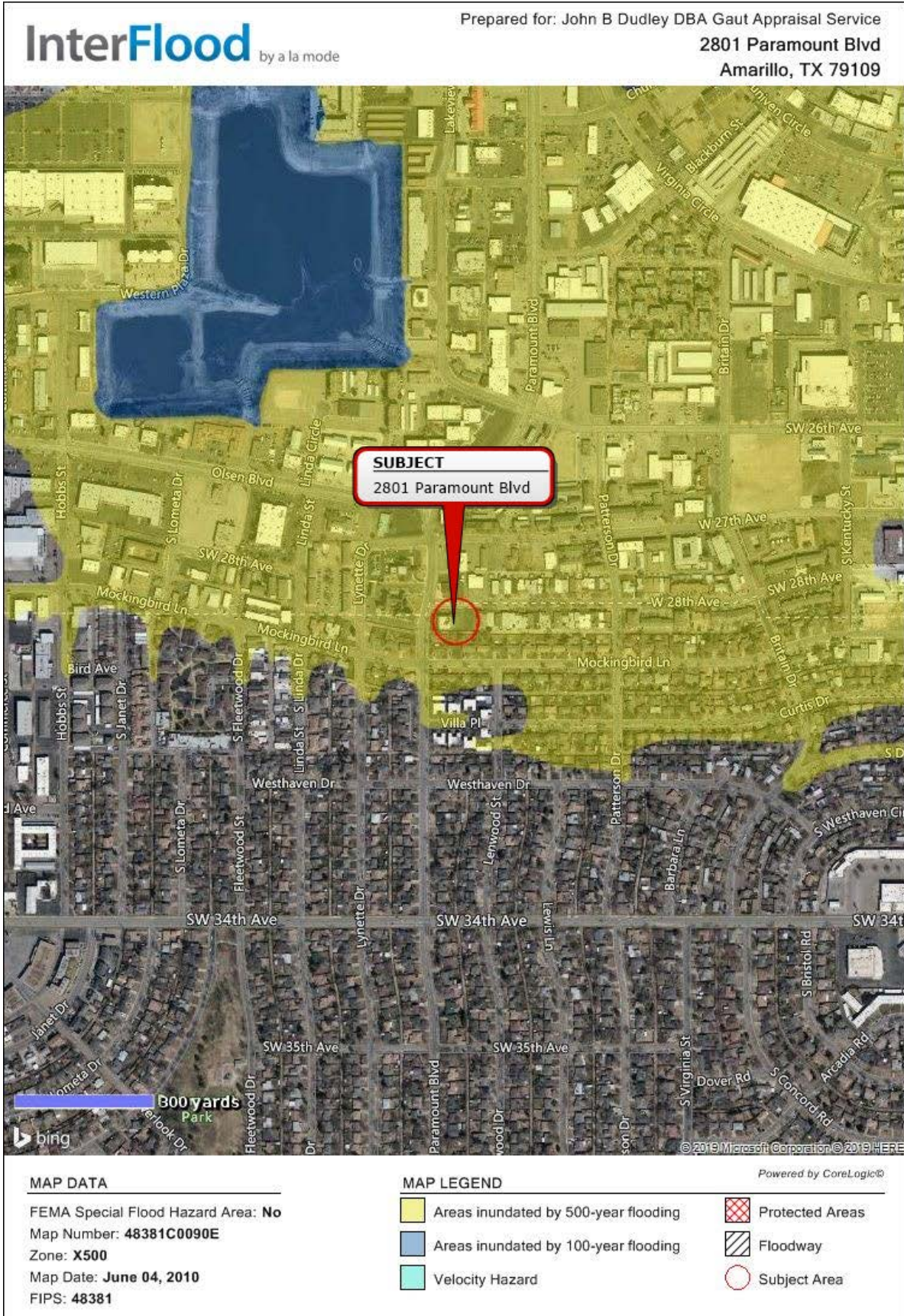
The subject is zoned "O-2" Office District 2. No adverse easements or encroachments were noted.

#### **Potential Environmental Hazards:**

Subject appears to be located in HUD Flood zone.

### PLAT MAP



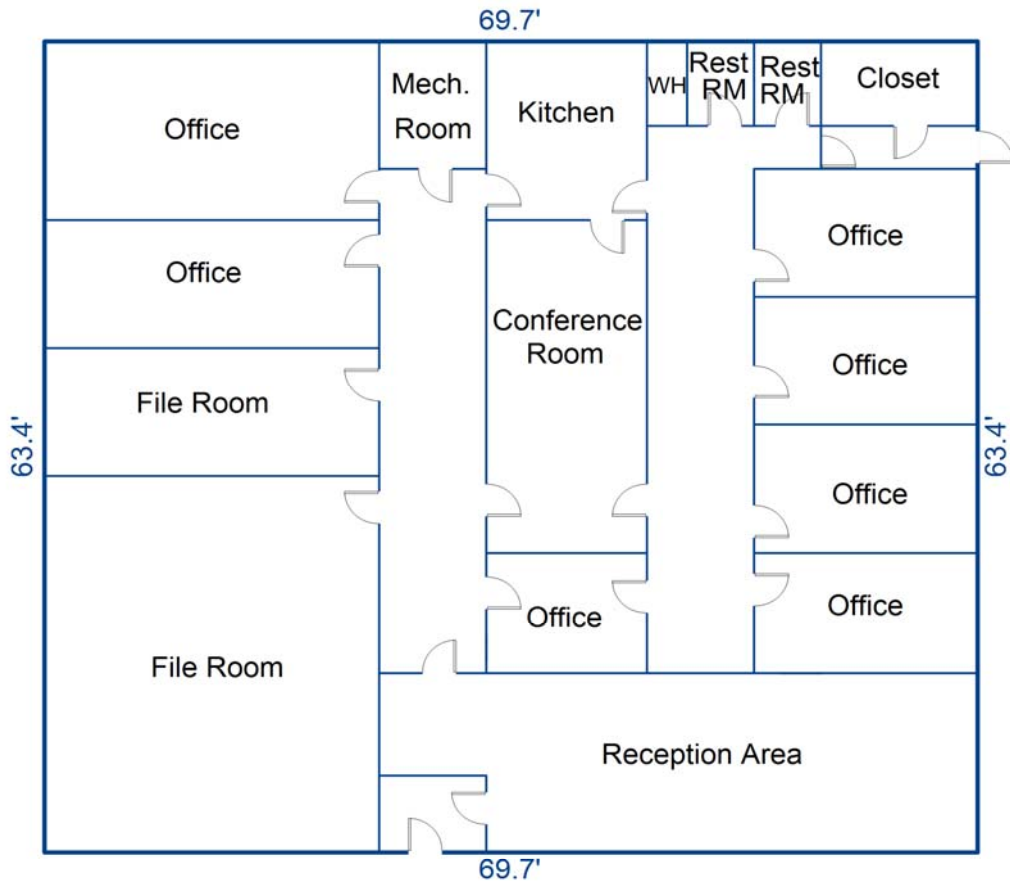


### BRIEF IMPROVEMENT DESCRIPTION

The subject property is improved with an approximate 4,419 square foot office building built in 1975 per the Potter/Randall County Appraisal District. The subject has a concrete slab foundation, brick veneer exterior walls and a flat built up roof. The roof is reported to need replacing and noted repairs needed at time of inspection. Per roof estimate furnished the appraiser, the cost to replace roof is \$72,809. The few and limited windows are aluminum plate glass. The building has central heat and air. There is a reception area, 6 offices, 2 file rooms, kitchen, conference room and two restrooms. The interior has carpet floor covering for the most part, sheetrock, textured and painted walls and acoustical tile ceilings. Many of the acoustical tile panels are missing, damaged or are stained.

This building needs to be remodeled and is in overall fair condition. All floor covering and ceiling tiles need replacing, interior needs painting and some heat and air vents need replacing. The asphalt parking lot needs to be seal coated and some fence repair noted. All mechanical equipment, water and gas lines are assumed operational.

### FLOOR PLAN



First Floor  
4419.0 sf

Sketch by Apex Sketch

AREA CALCULATIONS SUMMARY						AREA CALCULATIONS BREAKDOWN				
Code	Description	Factor	Net Size	Perimeter	Net Totals	Name	Base x	Height x	Width =	Area
GLA1	First Floor	1.0	4419.0	266.2	4419.0	First Floor		69.7 x	63.4 =	4419.0
	Net LIVABLE			(rounded)	4,419	1 total items			(rounded)	4,419

## **ANALYSIS OF HIGHEST AND BEST USE**

A fundamental principle in the valuation of real property is highest and best use. Briefly, highest and best use can be defined as that use which, at the time of appraisal, is most likely to produce the greatest net return to the land and/or improvements over a given period of time. Also, it is a proper use which is readily adapted and likely to be in demand for the foreseeable future. This basic principle will be utilized throughout the appraisal as the property is analyzed in light of its highest and best use. From the data gathered in the site and neighborhood descriptions, we may determine the highest potential use for the land under the theoretical assumption of the site as a vacant tract. This logic will provide the reasoning for the land valuation.

### **Physical Qualities Influencing Utility**

The subject property is presently improved with an office building which was built in 1975 and needs remodeling. It has a reported 29,458 square feet of land. This site is nearly level and appears to have adequate drainage. The soil is assumed adequate for most building types.

### **Locational Influences**

Street access to the subject site is considered to be good for the area. This property has access from both Paramount Boulevard and SW 28<sup>th</sup> Avenue. These fronting streets are asphalt paved.

### **Legal Use Limitations**

Subject is zoned "O-2" Office District 2.

### **Probability of Change**

The neighborhood is approximately 95% built up with residential, retail, multi-family and commercial properties. This area should remain stable for the near term. There is limited vacant land located in the immediate area. All these factors would indicate the neighborhood uses should remain stable over the near term.

The highest and best use of a property, as improved, may not always be the same as the highest and best use of a tract, as if vacant. However, the improvements typically continue to exist until the vacant site's value exceeds its improved value.

In conclusion, it is the appraiser's opinion the highest and best use for the subject site is for office use which is its present use

## **THE APPRAISAL PROCESS**

The purpose for submitting "The Appraisal Process" is to introduce the basic considerations and the work done in making an appraisal. To make an appraisal is to answer a question or to solve a problem. This question or problem is usually the determination of market value of a property as of a certain date. An appraisal is an estimate of value. This submission tends to over-simplify most appraisals in that there are several steps and deliberations involved. Also, each approach is sometimes not applicable to a particular property.

There are many different types of properties and types of value. Particular attention should always be given to the specific definition of value mentioned and to the assumptions and contingent and limiting conditions set forth in a report. The solution to the appraisal problem requires interpretation of the influences that economic, sociological, physical and political forces have on the value of a specific property. All of the basic study and time necessary to determine and support a property's value varies. However, there is not a wide variation in the basic procedure for solving appraisal problems. This procedure is called the appraisal process.

The appraisal process is generally conducted in seven steps:

- (1) Inspection and proper identification of the property
- (2) Definition of the problem
- (3) Preliminary appraisal plan
- (4) Data collection and analysis
- (5) Application of the three approaches to value and assimilation of all data into written form
- (6) Reconciliation of value estimates
- (7) Statement of a final estimate of defined value.

A brief description of the three approaches to value follows.

The Cost Approach is a method used to derive the value of a property by estimating the reproduction cost of the improvements, deducting there from the estimated depreciation and then adding the market value of the land. This approach estimates value based upon the implied assumption that no prudent person will pay more for a property than it would cost him/her to acquire a site and erect a comparable structure less, of course, accrued depreciation from all sources. This approach is especially applicable to new or nearly new structures, when the land value estimate is also reliable. The major limitation of this approach is that in properties that are several years old, it is often difficult to precisely estimate accrued depreciation, and the problem is compounded if depreciation exists in more than one form.



In the Market Approach, value is estimated based primarily upon the principle of substitution, which implies that no prudent and informed person will pay more for a property than it would cost him/her to acquire an equally desirable substitute property. In the application of this approach, actual sales of similar properties are analyzed and the value is estimated based upon the similarities and dissimilarities which the market (this is sellers, buyers, realtors, lenders and laymen) has been recognizing in subject's neighborhood. The reliability of this approach is directly related to quantity of quality of available data.

The Income Approach estimates present value based upon future benefits to be derived from ownership of a property. This approach is most applicable to income producing type properties, since it involves a technique in which the value of the property is estimated based on the income that it likely will produce. This involves estimating the gross income, deducting estimated vacancy and credit losses and expenses with the resulting figure being the net income. This net income is then capitalized by a rate into an indication of value. There are several different methods and techniques, which can be used to arrive at a capitalization rate. Therefore, care is taken in choosing the proper method of rate selection and the capitalization process.

Upon completion of the study, one should have three indications to value. If good data is available for application in all three approaches, the resulting indications should be close to each other. However, such is not always the situation. Major considerations here are which approach has the best data inherent in it; which is least likely of error; which is the most reasonable approach for this type property; and has due weight been given as to accuracy, reliability and pertinence of the data available for each approach. Finally, the value indications must be correlated into a final estimate of value.

Also, of important consideration in an appraisal is the definition of Highest and Best Use. It is the most profitable likely use to which a property can be put, or the utilization program that will produce the greatest net return. The opinion of such use may be based on the highest and most profitable continuous use to which the property is adapted and needed or likely to be in demand in the reasonable future. It seems necessary to note that the "most profitable likely use" cannot always be expressed in terms of money since very often net return takes the form of amenities other than money.

### **COST APPROACH**

- 1) Estimate the value of land as if vacant and ready for improvement to its Highest and Best Use.
- 2) Estimate the current reproduction cost of the improvements.
- 3) Estimate depreciation from all causes and deduct this from the current reproduction cost.
- 4) Add the value of the land to the depreciated reproduction costs to arrive at the indicated value of the whole property.

**SITE VALUATION** The Cost Approach presents a value indication of the whole property based upon the current reproduction cost of improvements, less accrued depreciation from all causes, plus the value of the land. This Cost Approach Analysis involves these basic steps:

The Sales Comparison Approach is one of the more generally accepted methods for estimating the value of land as if it were vacant and ready for improvement to its Highest and Best Use. This approach is based upon the principle of substitution, which implies that a prudent person will not pay more for a property than it will cost him for a comparable substitute property. The Sales Comparison Approach recognized that the typical buyer will compare asking prices and work toward the best deal available. In the Sales Comparison Approach, the appraiser is an observer of the actions of the parties involved. This group includes buyers, sellers, realtors and laymen in the market. Also reflected in the Sales Comparison Approach are most of the physical and economic factors which have a bearing on the market. Naturally, in comparison between properties, the appraiser must be able to recognize the similarities and dissimilarities which exist.

Due to the age and condition of the improvements, and the difficulty in estimating accrued depreciation, the Cost Approach was not developed. The exclusion of this approach will not produce a false and misleading report.

## **THE SALES COMPARISON APPROACH**

The Sales Comparison Approach is a comparative analysis which involves the process of comparing reasonably similar whole property sales in light of the subject property's characteristics. The appraiser observes buyers, sellers, investors, brokers, lenders and laymen in their marketplace activities and interprets the results with regard to various motivations involved in property transactions. The Sales Comparison Approach is based on the principle of substitution whereby a prudent man will not pay more for a given property than a substitute property may cost. This assumes the prudent man will compare property characteristics with asking prices and work through to the best deal available to suit his needs.

A general format for application of the Market Data Approach is:

- 1) Presentation of comparable sales
- 2) Analysis of the elements of comparison
- 3) Summary of the indicated values
- 4) Correlation of value from this approach

A total of 6 improved sales will be introduced for your consideration.



### **COMPARABLE SALE NO. 1**

#### **Description of Property**

Address:	901 S Buchanan St Amarillo, Texas
Grantor/Lessor:	Double-Double Properties LLC
Grantee	Furman Family Partnership LLP
Recording Information:	Clerk ID 2018-11931
Date:	August 20, 2018
Legal Description:	Lot 10, Block 116, Plemons addition to the City of Amarillo, Potter County, Texas

#### **Sale Price and Units of Comparison**

Confirmed Price:	\$325,000.00
Terms and Conditions of Sale:	Cash Sale
Sale Price as Vacant land including improvements:	\$38.69
Sale Price as Improved including land:	\$80.85
Gross Income Multiplier:	Not Applicable
Overall Rate: (NOI)	Not Applicable
Land/Building Ratio	2.01./1
Equity Dividend Rate	None

#### **Site Description**

Site Description:	8,400 Sq. Ft
Zoning:	"O-1" Office District 1
Functional tract of land:	Average

#### **Improvement Description**

Size:	4,020 Square Foot Single Tenant office building
Age/Condition and Functional Utility:	1966/Average/Average
Construction:	Masonry
Date Inspection:	August 22, 2019

**Additional Comments:** Verified by – Cathy Derr – Broker. This office building was gutted with asbestos removed. This was purchased for a restaurant.

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## **COMPARABLE SALE NO. 2**

### **Description of Property**

Address:	3010 SW 27th Amarillo, Texas
Grantor/Lessor:	Location, Location, Location
Grantee	Community Options
Recording Information:	Clerk ID 2017-16202
Date:	November 2, 2017
Legal Description:	Irregular 75' of Block 26, beginning in southwest corner plus vacated street, Lawrence Park #5 addition to the City of Amarillo, Potter County, Texas

### **Sale Price and Units of Comparison**

Confirmed Price:	\$225,000.00
Terms and Conditions of Sale:	Cash Sale
Sale Price as Vacant land including improvements:	\$14.30
Sale Price as Improved including land:	\$82.00
Gross Income Multiplier:	Not Applicable
Overall Rate: (NOI)	Not Applicable
Land/Building Ratio	5.7/1
Equity Dividend Rate	None

### **Site Description**

Site Description:	15,738 Sq. Ft
Zoning:	"GR" General Retail
Functional tract of land:	Average

### **Improvement Description**

Size:	2,744 Square Foot Single Tenant Office building
Age/Condition and Functional Utility:	1965/Good/Good
Construction:	Masonry
Date Inspection:	August 23, 2019

**Additional Comments:** Verified by – Miles Bonifield – Realtor. This office building had been remodeled and was in good condition.

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### COMPARABLE SALE NO. 3

#### **Description of Property**

Address: 1800 S Hughes St  
Amarillo, Texas  
Grantor/Lessor: Bradley Dodson Realty LP  
Grantee: Kochanowska-Karamyan  
Recording Information: Clerk ID 2017-11694  
Date: August 7, 2017  
Legal Description: Irregular portion of lot 1, Block 2, Newlin's Subdivision and lot 12, Block 2, Flynn's addition to the City of Amarillo, Potter County, Texas

#### **Sale Price and Units of Comparison**

Confirmed Price: \$195,000.00  
Terms and Conditions of Sale: Cash Sale  
Sale Price as Vacant land including improvements: \$25.91  
Sale Price as Improved including land: \$65.44  
Gross Income Multiplier: Not Applicable  
Overall Rate: (NOI) Not Applicable  
Land/Building Ratio 2.5/1  
Equity Dividend Rate None

#### **Site Description**

Site Description: 7,525 Sq. Ft  
Zoning: "O-2" Office District 2  
Functional tract of land: Average

#### **Improvement Description**

Size: 1508 Square Foot Single Tenant  
Office building and 1,472 square foot metal storage building.  
Age/Condition and Functional Utility: 1966/Average/Average  
Construction: Masonry- office building/Metal Storage Bldg.  
Date Inspection: August 23, 2019

**Additional Comments:** Verified by – Cathy Derr - Broker. This office building was in average condition and located at the corner of Hughes and the Interstate 40 frontal road.

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### COMPARABLE SALE NO. 4

**Description of Property**

Address:	1111 SW 18 <sup>th</sup> Ave Amarillo, Texas
Grantor/Lessor:	Shaughn O'grady
Grantee	D&B Resources LLC
Recording Information:	Clerk ID 2016-4601
Date:	December 20, 2016
Legal Description:	Lots 7,8 and 9A each less Eway ROW, Block 2, Flynn's addition to the City of Amarillo, Potter County, Texas

**Sale Price and Units of Comparison**

Confirmed Price:	\$375,000.00
Terms and Conditions of Sale:	Cash Sale
Sale Price as Vacant land including improvements:	\$17.57 \$30.45 Per SF Exc. Vacant Land
Sale Price as Improved including land:	\$88.74 \$76.90 Per SF Exc. Vacant Land
Gross Income Multiplier:	Not Applicable
Overall Rate: (NOI)	Not Applicable
Land/Building Ratio	5/1
Equity Dividend Rate	None

**Site Description**

Site Description:	21,338 Sq. Ft
Zoning:	"O-2" Office District 2
Functional tract of land:	Average

**Improvement Description**

Size:	4226 Square Foot Single Tenant office building.
Age/Condition and Functional Utility:	1978/Average/Average
Construction:	Stucco
Date Inspection:	August 23, 2019

**Additional Comments:** Verified by – Grantor. This office building was in average condition and located at the corner of Hayden and the Interstate 40 frontal road. Approximately of site was vacant land.



**COMPARABLE SALE NO. 5**

**Description of Property**

Address:	5211 SW 9 <sup>th</sup> Ave Amarillo, Texas
Grantor/Lessor:	Jaelyn Medical Plaza LTD
Grantee	5211 SW 9 <sup>th</sup> LLC
Recording Information:	Clerk ID 2016-89096
Date:	March 2, 2016
Legal Description:	North irregular 271.72' of Tract 3, Beginning 30' West of NEC, Barnes Highland addition to the City of Amarillo, Potter County, Texas

**Sale Price and Units of Comparison**

Confirmed Price:	\$637,000.00
Terms and Conditions of Sale:	Cash Sale
Sale Price as Vacant land including improvements:	\$8.50
Sale Price as Improved including land:	\$35.65
Gross Income Multiplier:	Not Applicable
Overall Rate: (NOI)	Not Applicable
Land/Building Ratio	4.2/1
Equity Dividend Rate	None

**Site Description**

Site Description:	74,975 Sq. Ft
Zoning:	"GR" General Retail
Functional tract of land:	Average

**Improvement Description**

Size:	17,867 Square Foot, single tenant office building
Age/Condition and Functional Utility:	1970/Average/Average
Construction:	Brick/Flat
Date Inspection:	February 26, 2019

**Additional Comments:** Verified by – Ben Whittenburg – Broker and Mike Hughes - Grantee





### COMPARABLE SALE NO. 6

#### **Description of Property**

Address: 3226 Hobbs  
Amarillo, Texas  
Grantor/Lessor: Gallaway-Emerson Commercial  
Grantee: Intrepid Energy  
Recording Information: Clerk ID 2015-8063  
Date: May 15, 2015  
Legal Description: Lot B, Block 8, Tract 6, Lawrence Place Replat an Addition to the City of Amarillo, Potter County, Texas

#### **Sale Price and Units of Comparison**

Confirmed Price: \$775,000.00  
Terms and Conditions of Sale: Cash Sale  
Sale Price as Vacant land including improvements: \$21.53  
Sale Price as Improved including land: \$77.78  
Gross Income Multiplier: Not Applicable  
Overall Rate: (NOI) 8.75% at 68% Occupancy  
Land/Building Ratio 3.6/1  
Equity Dividend Rate None

#### **Site Description**

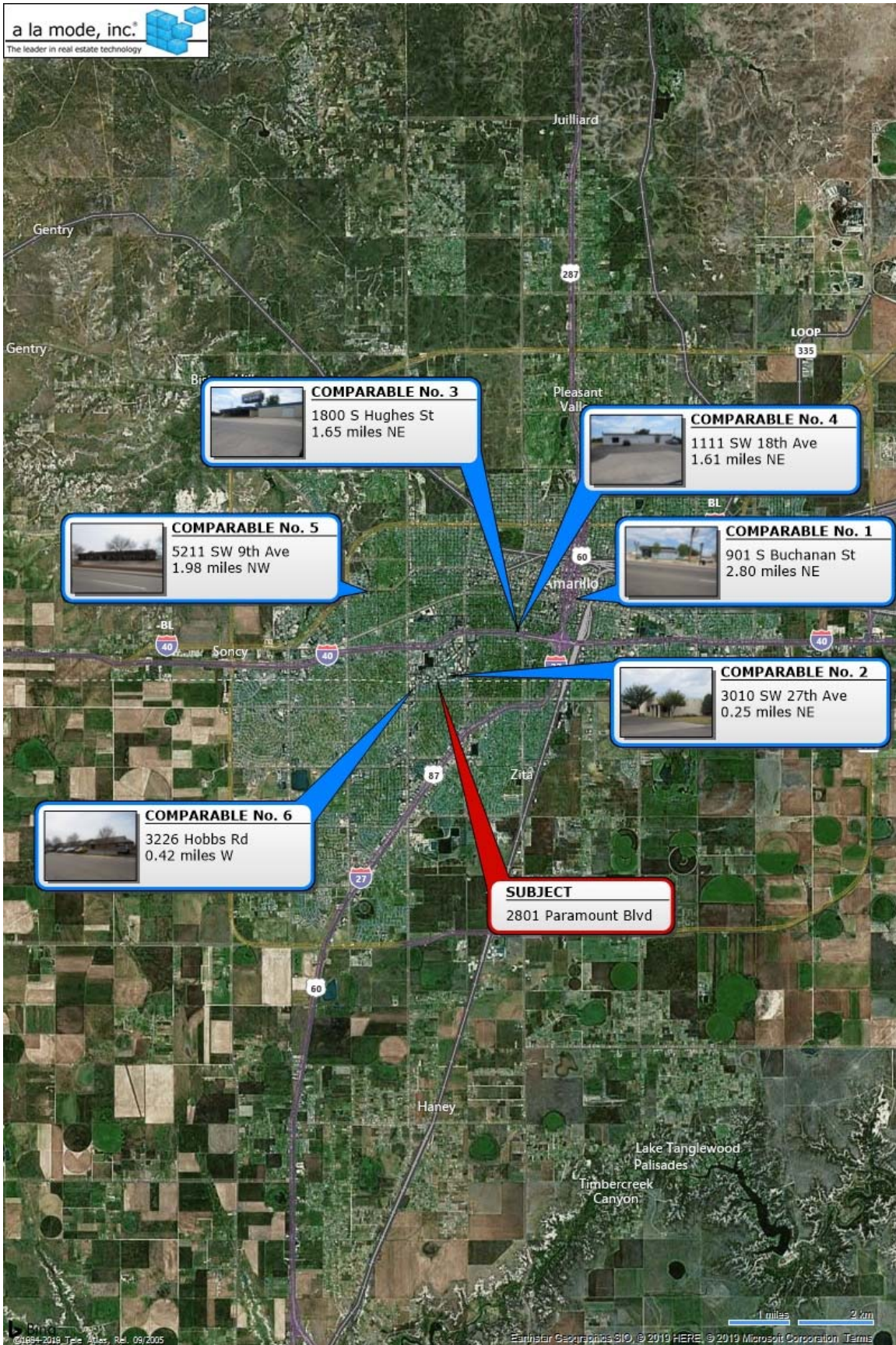
Site Description: 36,000 Sq. Ft  
Zoning: "GR" General Retail  
Functional tract of land: Average

#### **Improvement Description**

Size: 9,964 Square Foot, single story and Multi-tenant office building with 1,491 Square foot Basement  
Age/Condition and Functional Utility: 1981/Good/Good  
Construction: Brick/Composition  
Date Inspection: February 26, 2019

**Additional Comments:** Verified by – Aaron Emerson – Broker/Grantor

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Sale 1 is located approximately 3 miles northeast of the subject property in the downtown business district. This office building is similar in size to the subject and superior in condition. It is similar in quality and location. This single-story building was designed for office use. It was purchased for restaurant use.

Sale 2 is a smaller office building when compared to the subject. It is located approximately 1/4 of a mile west of the subject in an inferior area. It is similar to the subject in quality yet superior in condition. It was designed for single-use tenants.

Sale 3 is located approximately 1.5 miles northeast of the subject property along the Interstate 40 frontal road and considered superior in location and condition. This property had a 1508 square foot office building and a metal shop building. This office building is similar to the subject in quality yet the metal shop building is considered inferior in quality. Both buildings were designed for single-tenant use.

Sale 4 is similar to the subject in size, quality and age yet superior in overall condition. It was built for a single occupant and also located along the Interstate 40 frontal road and considered overall superior in location. It too is located approximately 1.5 miles northeast of the subject. It has some excess land which could be developed.

Sale 5 is a larger multi-tenant office building located approximately 2 miles northwest of the subject. It needed to be remodeled at time of sale. This property sold in 2016 and is similar to the subject in location, quality and age. This sale demonstrates what office buildings are selling for if remodeling is needed.

Sale 6 is a single story multi-tenant office building located a few blocks west of the subject. This office building is superior in condition to the subject and similar in age, location and quality.

**MARKET GRID**

	<u>Subject</u>	<u>Sale 1</u>	<u>Sale 2</u>	<u>Sale 3</u>	<u>Sale 4</u>	<u>Sale 5</u>	<u>Sale 6</u>
Sale Price	N/A	\$325000.	\$225000	\$195000.	\$375000.	\$637000.	\$775000.
Sale Price SF Land	N/A	\$38.69	\$14.30	\$25.91	\$17.57	\$8.50	\$21.53
Sale Price SF Improvements	N/A	\$80.85	\$82.00	\$65.44	\$88.74	\$35.65	\$77.78
Date Of Sale	N/A	08/2018	11/2017	08/2017	12/2016	03/2016	05/2015
Location	Average	Average	Inferior \$39350	Superior -\$37600	Superior -\$106700	Average	Average
Zoning	Office	Office	GR	Office	Office	GR	GR
Lot Size(SF)	29458	8400	15738	7525	21338	74975	36000
Building Size	4419	4020	2744	2980	4226	17867	9964
Age	1975	1966	1965	1966	1978	1970	1981
Condition*	Assumed Average	Average	Good -\$27500	Average	Average	Avg/Fair \$178500	Good -\$99500.
Quality	Average	Average	Average	Inferior \$48750	Average	Average	Average
Financing	N/A	Cash	Cash	Cash	Cash	Cash	Cash
Adjusted Sale Price Per SF		\$80.85	\$86.32	\$69.18	\$63.49	\$45.64	\$67.79

**\*NOTE:** Subject assumed in average condition in Market Grid.

The subject property is a single office building. It was built in 1975 and needs to be completely remodeled for the most part. The above sales offer an adjusted range from \$45.64 to \$86.32 per square foot of improvements including land. The statistical mean average is \$68.88 per square foot of improvements including land. Based on this data, it is my opinion the subject has an estimated market value of \$70.00 per square foot.

Therefore:

4419 Square feet @ \$70.00 per square foot	=	\$309,330.00
LESS: Estimated cost of repairs	=	\$135,000.00
Estimated Market Value	=	\$174,330.00
SAY	=	\$175,000.00

## **THE INCOME APPROACH**

As explained in the "Appraisal Process", found earlier in the report, the Income Approach estimates value based on future benefits or income which a property is likely to produce. This approach involves five (5) steps.

- 1) Estimate gross annual economic income:
- 2) Estimate expected vacancy and collection loss:
- 3) Estimate expenses:
- 4) Study of proper capitalization rate:
- 5) Capitalization of the net income into an estimate of value by the rate found in Step "4".

This approach will be given due consideration since typically purchasers and investors of income producing properties are concerned with the net income which a property will produce. There was sufficient rental data to determine a credible estimate of rent.

RENT ANALYSIS

The subject property is presently vacant. To estimate the rent for the subject the following market rentals are listed for your consideration. All of these comparable buildings are overall superior to the subject in condition. **\*NOTE:** The estimated rent is based on the assumption the subject being in average condition similar in condition to the below comparable rentals.

Rental No. 1

Address: 4200 Ridgecrest  
Amarillo, Texas

Lease: \$8.47 per square foot gross per  
Annum. 3 Year beginning  
December 1, 2018.

Size: 1,558 square foot office space.  
Built in 1985

Verified/Tenant Miles Bonifield - Broker  
Escrow Tech, LLC

Rental No. 2

Address: 2505 Lakeview Drive  
Amarillo, Texas

Lease: \$8.16 per square foot gross  
per Annum average. 4 Year step  
up lease beginning June of 2018.

Size: 2,282 square foot office space.  
Built in 1980

Verified/Tenant Miles Bonifield - Broker  
Rogers Group, Inc

Rental No. 3

Address: 2001 S Coulter #2005 & 2007  
Amarillo, Texas

Lease: \$12.27 per square foot gross per  
Annum. 3 Year beginning March  
1, 2019.

Size: 4,615 square foot office space.  
Built in 1984

Verified/Tenant Justin Kitte - Broker  
IntraCare Holdings, Inc.

Rental No. 4

Address: 1102 Interstate 40 West (Rear)  
Amarillo, Texas

Lease: \$12.00 per square foot Per  
Annum. 1 Year beginning  
August of 2019. Tenant pays  
utilities except water.

Size: 1,250 square foot office space  
Built in 2004.

Verified/Tenant Owner & Jeff Gaut-Realtor  
LADDEX LLC

Rental No.5

Address: 2620 Kentucky St  
Amarillo, Texas

Lease: \$13.90 per square foot gross  
per annum. 3 year lease  
beginning March 2019. Tenant  
pays utilities.

Size: 1,726 square foot office building  
Built in 2016.

Verified/Tenant Cathy Derr - Broker  
Hoyl Financial Group

Considering the size, age and condition and functional utility of the subject property, it is my opinion the subject would lease for \$12.00 per square foot gross per annum

Therefore:

4,419 square feet @ \$12.00 per square foot = \$53,028.00  
SAY = \$53,000.00



**COMPARABLE RENTAL PHOTOS**



4200 Ridgecrest



Rental #2 2505 Lakeview Drive



2001 S Coulter



1102 Interstate 40 West



2620 S Kentucky St





**CONSTRUCTED OPERATING STATEMENT**

Estimated Potential Gross Annual Income	\$53,000.00
LESS: Estimated vacancy and loss of rent collections (5%)	<u>\$ 2,650.00</u>
Estimated Annual Gross Operating Income	\$50,350.00

Fixed Expenses

Taxes (Reported)	\$ 7,934.00
Insurance (Estimated)	<u>\$ 4,500.00</u>
Total Fixed Expenses	\$12,434.00

Operating Expenses

Management (5% Rounded)	\$2,500.00
Estimated repair and maintenance	<u>\$5,000.00</u>
And reserve for replacement (10%)	\$7,500.00

Total Estimated Expenses	<u>\$19,934.00</u>
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Estimated Total Annual Income	\$30,416.00
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ESTIMATED ANNUAL NET OPERATING INCOME		\$30,416.00
	SAY	\$30,400.00

Fixed expenses include advalum taxes and insurance for real property not any personal property. The above taxes are those reported by the Potter/Randall County Appraisal District. The insurance estimate was estimated by Mr. Pete Boyce of Boyce Insurance based on an insured amount of \$400,000.

Operating expenses include management, repairs and reserves for replacement of items. Management is the cost a manager would charge to lease and manage the property on a day to day basis. The repairs and estimated reserve for replacement of items such as roof, parking lot, heat/air, floor coverings and painting were estimated by me.

### **CAPITALIZATION RATE AND TECHNIQUE**

Having determined the subject's probable annual net income, the next step is to capitalize this income into an estimate of value. However before this can be done, the proper rate and technique must be determined.

There are several accepted methods for calculation of a proper capitalization rate. I will examine the most applicable method in selection of the ultimate capitalization rate to be applied to the subject's net income.

One method is a mortgage equity concept known as the Ellwood Theory. This method examines what a typical purchaser is likely to seek in the way of an equity yield and then modifies this desired yield by leverage provided by the mortgage terms available and the effect of depreciation or appreciation expected over the projected term of ownership.

The formula is set up as  $R = Y - MC + \text{App. Dep. } 1/SN$  whereas:

- R = overall capitalization rate
- Y = desired equity yield rate
- M = ratio of mortgage money to purchase price
- C = Mortgage coefficient
- Dep = depreciation in overall market value expected during projection period
- App = appreciation in overall market value expected during Projection period
- 1/SN = sinking fund factor at "Y" rate

Another method of estimated value by the Income Approach is by direct capitalization with of Overall Capitalization Rate. A Capitalization Rate of return on a real estate investment property is based on the expected income that the property will generate. Capitalization rate is used to estimate the investor's potential return on his or her investment. An overall capitalization rate is derived by dividing the net income of a property by its sales price.

A total of 4 overall capitalization rates were abstracted from office sales which were purchased for "Investment" purposes. They ranged from 8.75% to 10%; the mean average of these rates was 9.27% which is considered fair and reasonable.

<u>ADDRESS:</u>	<u>CAPITALIZATION RATE</u>
1920 Medi Park	9%
1934 Medi Park	10%
1105 S Taylor St	9.32%
3226 Hobbs	8.75%

Therefore:

Net Income/Overall rate	=	Value
\$30,400/.0927	=	\$327,940.00
	SAY	\$328,000.00
Estimated Market Value via Income Approach	=	\$328,000.00
LESS: Estimated cost of repairs	=	<u>\$135,000.00</u>
Adjusted Estimate of Market Value	=	\$193,000.00

### **CORRELATION AND VALUE CONCLUSION**

In the previous sections of this report, all three (3) basic approaches to market value have been considered and applied when applicable. The indication of values are as follow:

Value Indication by Sales Comparison Approach	\$175,000.00
Value Indication by Cost Approach	\$ Not Developed
Value Indication by Income Approach	\$193,000.00

The Cost Approach is generally considered as the upper limits of Market Value. This approach was given due consideration in the final estimate of value. Disparity between the Cost and Income Approach is not unusual. This reflects the difficulty in estimating depreciation and in estimating the measure of net income which a property could earn. Due to age and condition of the improvement and difficulty in estimating depreciation the Cost Approach was not utilized. The exclusion of this approach will not produce a false and misleading report.

The Sales Comparison Approach was heavily relied upon for a final estimate of Market Value. Ample market data was believed sufficient to develop an indication of market value.

Purchasers and investors of income producing properties are concerned with the net income which a property will produce. The competitive position of this property and its ability to provide a reasonable return on the investment was considered.

Most purchasers and owner-investors of income producing properties take into Consideration the depreciation allowance for income tax shelter advantages; therefore, they, in some instances, will pay more for income producing property than the Income Approach dictates.

The Income Approach was be given due consideration. There was sufficient rental data to determine a credible estimate of rent.

After considering the available data, as provided along with those factors influencing value, such as the principles of substitution and supply and demand, I am of the opinion the estimated Market Value of the Fee Title Interest of the subject property is, as of August 19, 2019:

**ONE HUNDRED SEVENTY FIVE THOUSAND DOLLARS**

**\$175,000.00**

### **CERTIFICATION**

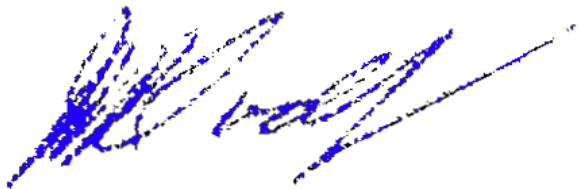
I certify that, to the best of my knowledge and belief:

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 are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
4. I have no bias with respect to any property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment is not contingent upon developing or reporting predetermined results.
6. My 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. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
8. I have made a personal inspection of the property that is the subject of this report. (If more than one person signs the report, this certification must clearly specify which individuals did and which individuals did not make a personal inspection of the appraised property.)
9. No one provided significant professional assistance to the person signing this report. (If there are exceptions, the name of each individual providing significant professional assistance must be stated.)
10. Employment of the appraiser was not conditioned upon the appraisal producing a specific value, minimal value, value in a given range or approval of a loan.



11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with requirements of the Appraisal Institute's Code of Professional Ethics and Standards of Professional Appraisal Practice, which include the Uniform Standards of Professional Appraisal Practice. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representative. As of the date of this report, I John B. Dudley SRA have not completed the voluntary continuing education program of the Appraisal Institute.

John B Dudley, SRA

A handwritten signature in blue ink, appearing to read "John B. Dudley", is written over a horizontal line. The signature is stylized and somewhat cursive.

DATE: August 23, 2019

## **UNDERLYING ASSUMPTIONS AND LIMITING CONDITIONS**

**IDENTIFICATION OF THE PROPERTY:** The legal description given to the appraiser is presumed to be correct, but it has not been confirmed by a survey. The appraiser assumes no responsibility for such a survey, or for encroachments or overlapping that might be revealed thereby.

The appraiser renders no opinion of a legal nature, such as to ownership of the property or condition of title.

The appraiser assumes the title to the property to be marketable; that the property is an unencumbered fee; and that the property does not exist in violation of any applicable codes, ordinances, statutes, or other governmental regulations.

**UNAPPARENT CONDITIONS:** The appraiser assumes that there are not hidden or unapparent conditions of the property, subsoil or structures, which would render it more or less valuable than otherwise comparable property. The appraiser assumes no responsibility for such conditions or for engineering, which might be required to discover such things.

**INFORMATION AND DATE:** The information and data supplied to the appraiser by others, and which have been considered in the valuation, are from sources believed to be reliable, but no further responsibility is assumed for its accuracy.

**USE OF THE APPRAISAL:** Possession of the appraisal report or a copy thereof does not carry with it the right of publication. It is a privileged communication.

The Appraisal report may not be used for any purpose except substantiation of the value estimated without written permission from the appraiser. All valuations in the report are applicable only under the stated program of Highest and Best Use, and are not necessarily applicable under other programs of use. The valuation of a component part of the property is applicable only as a part of the whole property.

**SKETCHES AND MAPS:** The sketches included in the report are only for the purpose of aiding the reader in visualizing the property and are not based on survey. Sizes and dimensions not shown should not be scaled from the sketches.

COURT TESTIMONY: Testimony or attendance in court by reason of this appraisal with reference to the property in question, shall not be required unless arrangements have previously been made.

ENVIRONMENTAL DISCLAIMER: It is assumed that there are no hidden or unapparent conditions of the property, subsoil, structures or environmental conditions which would render it more or less valuable. The appraiser assumes no responsibility for such conditions or for the engineering, which might be required to discover such factors.

QUALIFICATIONS OF JOHN B. DUDLEY

EDUCATION:

Graduate of New Mexico Military Institute, Roswell, New Mexico, May 1968.

Bachelor of Arts, University of Oklahoma, May 1973.

"Fundamentals of Real Estate Appraising", Amarillo College, Amarillo, Texas, December 1975.

American Institute of Real Estate Appraisers "Course VIII", Boulder, Colorado, June 1976.

American Institute of Real Estate Appraisers "Course 1-A", Boulder, Colorado, June 1977.

"Income Property Appraisal", West Texas State University, Canyon, Texas, December 1977. Society of Real Estate Appraisers approved. "Course 201".

SEMINARS ATTENDED:

Federal National Mortgage Association "Review Appraisal", Dallas, Texas, July 1987.

Society of Real Estate Appraisers "HP12-C Calculator", Dallas, Texas, October 1987.

Society of Real Estate Appraisers "Professional Practice", Amarillo, Texas, March 1988.

Society of Real Estate Appraisers "Depreciation Analysis", Lubbock, Texas, October 1988.

Society of Real Estate Appraisers "The Appraiser as an Expert Witness", Tarpon Springs, Florida, January 1989.

Society of Real Estate Appraisers "Legal Liabilities", Tarpon Springs, Florida, January 1989.

RTC/FIRREA "Conducting Business in a New Environment", Houston, Texas, March 1990.

RTC "Affordable Housing Disposition Program", San Antonio, Texas, October 1990.

Society of Real Estate Appraisers "Course 101 Instructors Clinic", Chicago, Illinois, November 1990.

Society of Real Estate Appraisers "Professional Practice, Ethics, Standards, Rules, Regulations and Discipline", Amarillo, Texas, December 1990.

PHH Network Services "Quality Partnerships, Quality Relationships", Dallas, Texas, October 1992.

PHH Network Services "Marketing and Inventory TIPS", Dallas, Texas, September 1993.

Coldwell Banker, Relocation Services Inc. "Market Change – The Relocation Appraiser's Challenge, Dallas, Texas, September 1993.

Appraisal Institute "The New Uniform Residential Appraisal Report", San Antonio, Texas, December 1993.

Appraisal Institute "410: Standards of Professional Practice, Part A", Lubbock, Texas, April 1995.

Appraisal Institute "Technology Videoconference", Oklahoma City, Oklahoma, October 1995.

PHH Network Services "Force of Excellence", San Antonio, Texas, November 1995.

The Southwestern Legal Foundation "Annual Institute on Planning, Zoning and Eminent Domain, November 1995.

The Southwestern Legal Foundation "Annual Institute on Planning, Zoning and Eminent Domain, November 1996.

"Uniform Standards of Professional Appraisal Practice Update", Columbia Institute, June 1997.

"Environmental Site Analysis-Impact on Real Estate", Columbia Institute, June 1997.

Appraisal Institute "410: Standards of Professional Practice, Part A", Houston, Texas, March 1999.

Appraisal Institute "FHA Update Seminar", Denver, Colorado, November, 1999.

Appraisal Institute "Course II420 – Standards of Professional Practice, Part B", Denver, Colorado, August 2000.

Appraisal Institute "Course II430 – Standards of Professional Practice, Part C", San Antonio, Texas, March 2001.

Appraisal Institute "TALCB Panel Discussion", Houston, Texas, October 2001.

Appraisal Institute "Texas Appraisers Websites, Fannie Mae Update", Houston, Texas, October 2001.

Appraisal Institute "Residential Sales Comparison", Amarillo, Texas, November, 2001.

National Association of Independent Fee Appraisers "2003 USPAP Review", Amarillo, Texas, April 2003.

"Appraising REO Properties", Lake Mary, FL, August 2004.

Appraisal Institute "Business Practices and Ethics", Dallas, TX, November 2004.

Appraisal Institute "Standards of Professional Practice", Houston, TX, December 2004.

Appraisal Institute "The Professional's Guide to the Uniform Residential Appraisal Report" Dallas, Texas, September 2005.

Appraisal Institute "FHA and the New Residential Appraisal Forms" Oklahoma City, Oklahoma, January 2006.

JVI-REO "Appraising REO Properties", Lake Mary, FL, February 2006.

Relocation Appraisers and Consultants "RAC Trac" Orlando, Florida, May 2006

Appraisal Institute "7-Hour National USPAP Update Course" Dallas, TX, March 2007.

LSI-Fidelity National Information Services Company "LSI Quality Road Show: Issues & Solutions, Dallas, TX, October 2007.

Relocation Appraisers and Consultants, Inc. "RAC Trac", San Antonio, TX, May 2008.

McKissock Appraisal School "Recap of REO Appraisal Guidelines", Frisco, TX, September 2008.

Appraisal Institute "7-Hour National USPAP Update Course" Lubbock, TX, January 2009.

JVI "Appraising REO Properties" Irving, TX, March 2009.

Acheson Appraisal Classes "FNMA 1004 MC" Dallas, TX, March 2009

McKissock Appraisal School "Environmental Pollution & Mold" Online Course, April 2009.

Real Estate Education Services "TREC Ethics MCE" Amarillo, TX, August 2009.

Real Estate Education Services "TREC Legal Update MCE" Amarillo, TX, August 2009.

Appraisal Institute "Business Practices and Ethics" Denver, Co, October 2009.

Appraisal Institute "Hotel Appraising – New Techniques for Today's Uncertain Times", Lubbock, TX, August 2010.

Amarillo Association of Realtors "MCE Legal Update" Amarillo, TX, October 2010.

Amarillo Association of Realtors "MCE Ethics" Amarillo, TX, October 2010.

Appraisal Institute "7- Hour National USPAP Update Course" Colorado Springs, Co, November 2010.

Appraisal Institute "Residential Appraisal Update: Staying Competent in a New Decade", Houston, TX, February 2011.

Appraisal Institute "Valuation by Comparison: Residential Analysis and Logic", Houston, TX, February 2011.

Appraisal Institute "FNMA, Freddie Mac, FHA & Regulatory Changes", Lubbock, TX, April 2011.

Appraisal Institute "The Uniform Appraisal Dataset from Fannie Mae & Freddie Mac: Understanding Appraisal Data Standardization & Delivery", Midland, TX, July 2011.

Appraisal Institute "7-Hour National USPAP Update", Lubbock, TX, January 2012.

Appraisal Institute "1-6 Deadly Mistakes Appraisers Make", Lubbock, TX, October 2012.

Appraisal Institute "7-10 Deadly Mistakes Appraisers Make", Lubbock, TX, October 2012.

Appraisal Institute "Uniform Appraisal Dataset Aftereffects: Efficiency vs. Obligation", Lubbock, TX, April 2013.

Appraisal Institute "7-Hour National 2014-2015 USPAP Update Course", Lubbock, TX, January 2014.

Appraisal Institute "Business Practices and Ethics", Lubbock, TX, January 2015.

Appraisal Institute "Residential Applications: Using Technology to Measure and Support Assignment Results", Lubbock, TX, April 2015.

Appraisal Institute "Evaluating Residential Construction" Tulsa, OK, May 2015.

003FreeMCEhours "Trec Legal Update MCE", Online Course, May 2015.

Calypso Continuing Education "Mold, A Growing Concern for Appraisers", Online Course, June 2015.

Appraisal Institute "Marketability Studies: Six-Step Process & Basic Applications, Lubbock TX August 2015

Appraisal Institute "2016-2017" National USPAP Update Course, Lubbock, TX February 2016.

Appraisal Institute "FHA Appraising for Valuation Professionals: FHA Single Family Housing Appraisal Requirements", Lubbock, TX April 2016

Appraisal Institute "Using Spreadsheet Programs in Real Estate Appraisals", Lubbock, TX August 2016

Appraisal Institute (Relocation Appraisers & Consultants) "2016 Annual Conference: Appraisal Changes, Challenges and Solutions", Frisco, TX September 2016

Appraisal Institute (Relocation Appraisers & Consultants) "2017 Annual Conference: Appraisal , Frisco, TX October 26, 2017

Appraisal Institute (Relocation Appraisers & Consultants) "2017 Annual Conference: Appraisal , Frisco, TX October 27, 2017

Appraisal Institute "2018-2019" National USPAP Update Course, Lubbock, TX January 26, 2018.

EXPERIENCE:

Independent Real Estate Appraiser, Gaut Appraisal Service, from May 1975 to present. Clients include: FirstBank Southwest, Wells Fargo, Bank of America, Fannie Mae, Southeast Alliance of Foreclosure Specialists, Lender's Service Inc., Happy State Bank, Amarillo National Bank, Herring Bank, Cendant Relocation, Federal Deposit Insurance Corporation, GMAC Relocation, GMAC Mortgage, Clayton Homes, Dwellworks, Primacy Relocation, Prudential Relocation, Nationstar, TSI Appraisal, First State Bank, LandAmerica, First Mortgage Home Lending, NEI Global Relocation, PCV Murcor, Lighthouse Real Estate, Valuation Services and various individuals and firms located in Amarillo and the surrounding area.

Part approved instructor for Society of Real Estate Appraisers. Past Real Estate Appraisal instructor at Amarillo College on a part-time basis.

PROFESSIONAL AFFILIATIONS;

Member of the National Association of Realtors, Texas Association of Realtors and Amarillo Board of Realtors. Texas Real Estate Broker #205755-30. Member of the Appraisal Institute, Amarillo Chapter #143, and has served in the capacity of Secretary 1977 to 1979, Second Vice-president 1979 to 1980 and President 1980 to 1981 and again 1992 to 1992.

PROFESSIONAL DESIGNATIONS;

Senior Residential Appraiser, SRA, Appraisal Institute from 1979 to present.

Texas Real Estate Broker license #205755-30.

State Certified General Real Estate Appraiser, TX-1321073-G, and Expires: June 30, 2021.



JOHN BENTON DUDLEY III  
PO BOX 2001  
AMARILLO, TX 79105



**Certified General  
Real Estate Appraiser**

Appraiser: **John Benton Dudley III**  
License #: **TX 1321073 G** License Expires: **06/30/2021**

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).



**Douglas E. Oldmixon**  
Commissioner

# **EXHIBIT 4**



**THE STEVE ROGERS COMPANY**  
Real Estate Appraisal and Services  
Travis Loe and Associates

August 14, 2019

Mr. Gregory S. Milligan, CTP  
Executive Vice President  
Harney Partners  
401 Congress Ave, Suite 1540  
Austin, Texas 78701

Re: Appraisal Report  
Office Building  
2801 Paramount  
Amarillo, Texas

Dear Mr. Milligan:

At your request, we have inspected and appraised the above-mentioned property. We have made a personal inspection of the property.

This Appraisal Report sets forth my findings and conclusions derived therefrom, together with plats, maps, photographs, etc., as are considered essential to explain the processes followed in making the appraisal.

The Appraisal Institute conducts a voluntary program of continuing education for its designated members. MAIs and SRAs who meet the minimum standards of this program are awarded periodic educational certification. I am currently certified under this program.

The estimate of **Market Value**, as defined within the Appraisal Development section, as of **August 9, 2019**, subject to assumptions and limiting conditions stated herein, is:

**\$145,000**

**ONE HUNDRED AND FORTY FIVE THOUSAND DOLLARS**

This appraisal has been prepared on an "as is" basis, unless otherwise stated, and it is intended to conform to the Uniform Standards of Professional Appraisal Practice (USPAP).

Page 2

August 14, 2019

Mr. Gregory S. Milligan, CTP

The subject property does not have any significant natural, cultural, recreational or scientific value in the appraiser's judgment.

Employment of the appraiser was not conditioned upon the appraisal producing a specific value or a value within a given range.

The true copy of this report, which contains 155 pages as issued by the signatory appraiser(s) and retained in the appraiser(s) work file, constitutes the record of the appraisal in its entirety which is conveyed to the Client(s) and/or Intended User(s) named herein. Any change to the content of this report made by anyone other than the signatory appraiser(s) or their agents is prohibited.

This appraisal report is solely for the use of the addressee. The appraisal report was prepared under a specific list of contracted assumptions, agreed on by both parties and should be utilized only in its entirety. Reliance upon information herein by any third party is strictly at said third party's risk.

Respectfully submitted,



Steve Rogers, MAI, CCIM

SR/MZ

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IMPORTANT FACTS AND CONCLUSIONS

Office Building

LOCATION: 2801 Paramount  
Amarillo, Texas

PROPERTY TYPE: Office Building

LEGAL DESCRIPTION: Lots 13 thru 15, Block 5,  
Lawrence Park Addition #5, City  
of Amarillo, Randall County,  
Texas

LAND SIZE: 29,458 SF or 0.68 Acre

BUILDING SIZE: 4,480 SF - Gross Bldg. Area,  
per PRAD records

CLIENT: Mr. Gregory S. Milligan, CTP

INTENDED USER: Mr. Gregory S. Milligan, CTP,  
Harney Partners, and/or  
assigns

INTENDED USE: Market Valuation for Marketing

VALUE INDICATIONS

VALUE BY INCOME CAPITALIZATION APPROACH - BEFORE VALUE \$385,000

(under the Hypothetical Condition that, as of the inspection  
date, August 9, 2019, the subject property had no roof or  
interior damage)

VALUE BY SALES COMPARISON APPROACH - BEFORE VALUE \$365,000

(under the Hypothetical Condition that, as of the inspection  
date, August 9, 2019, the subject property had no roof or  
interior damage)

Important Facts and Conclusions, continued

MARKET VALUE - AFTER DAMAGE - "As Is" \$145,000

**FINAL MARKET VALUE OPINION - "As Is": \$145,000**

EFFECTIVE DATE OF THE APPRAISAL: August 9, 2019

DATE OF THE REPORT: August 14, 2019

### ASSUMPTIONS AND CONDITIONS

It is assumed that title to the property herein appraised is in fee simple and is good and merchantable. The market value opinion is reported without regard to questions of title, boundaries, encroachments, environmental regulations, licenses, or other matters of a legal nature unless non-compliance has been stated, defined, and considered in the appraisal report.

The market value opinion is concluded under the assumption that no international or domestic political, economic, or military actions will significantly affect real estate values throughout the country.

Certain information concerning market and operating data was obtained from others. When possible, this information is verified and used in this appraisal only if it is believed to be accurate and correct. However, such information is not guaranteed. Dimensions and areas of the subject property and the comparables were obtained by various means deemed reliable but not guaranteed to be exact.



Assumptions and Conditions, continued

Real estate values are influenced by many external factors. The data contained herein is all of the data considered necessary to support the final market value opinion. The appraiser has not knowingly withheld any relevant facts but does not guarantee personal knowledge of all factors that might influence the subject property's market value. Due to potential or unforeseen changes in external factors, the final market value opinion is valid only as of the effective date of the appraisal.

The value conclusions contained herein are estimates. There is no guarantee, written or implied, that the subject property will sell for such amounts. The final market value opinion assumes that the property is under responsible ownership and competent management.

The appraiser shall not be required to give testimony or attend court or other legal authority concerning this appraisal without prior arrangement between the client and the appraiser.

Disclosure of the contents of this appraisal report is governed by the Ethics Rule of *USPAP 2018-2019*.

Assumptions and Conditions, continued

Neither all nor any part of this report's contents shall be disseminated to the public through advertising media, public relations media, news media, prospectus for securities, or any other public means of communications without prior written consent and approval of the undersigned.

It is assumed that no hidden or unapparent conditions of the property, subsoil, or structures render it more or less valuable. No responsibility is assumed for such conditions or for engineering that may be required to discover them. This is especially applied to the presence of asbestos contamination, underground fuel storage tanks, or any other such environmental pollutant.

The distribution of the total valuation in this report between land and improvements applies only under the reported highest and best use of the land. The allocations of value for land and improvements, if presented, must not be used in conjunction with any other appraisal and are invalid if so used.

No environmental impact studies were requested or performed in conjunction with this appraisal, and the appraiser hereby reserves

Assumptions and Conditions, continued

the right to alter, amend, revise, or rescind any of the value estimates contained herein, based on any subsequent environmental impact studies, research, or investigation. Unless otherwise stated, the final market value opinion produced in this report assumes the property is environmentally clean.

If this appraisal is for proposed construction, it is assumed the improvements will be constructed in substantial conformity to the plans and specifications furnished to the appraiser, and with good materials and workmanship, and that it will be tenanted and financed as proposed. It is also assumed that the proposed foundation and construction techniques are adequate to the existing subsoil conditions.

It is assumed that mortgage money is available at current market interest rates and terms for the subject property as stated in the Income Capitalization Approach section of the report.

The estimates of costs to cure deferred maintenance in this report are estimates of probable costs under current market conditions and are based on the available information and the appraiser's expertise.

Assumptions and Conditions, continued

Deferred maintenance affecting the property includes only those items specified in the Property Description section of this report. The appraiser takes no responsibility for hidden items or items of which the appraiser was not advised.

It is the appraiser's judgment that this appraisal report has been prepared in accordance with the current edition of the *Uniform Standards of Professional Appraisal Practice (USPAP)* published by the Appraisal Standards Board of the Appraisal Foundation.

To the best of the appraiser's knowledge, this appraisal report conforms to F.D.I.C. regulations and meets generally accepted lending guidelines.

Any significant natural, cultural, recreational, or scientific values of the subject property, if any, are specifically addressed in the report.

## APPRAISAL DEVELOPMENT

### Type and Definition of Value

This appraisal concludes an opinion of **Market Value** of the **fee simple** interest of the subject property. 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:

- (1) Buyer and seller are typically motivated;
- (2) Both parties are well informed or well advised, and acting in what they consider their own best interests;
- (3) A reasonable time is allowed for exposure in the open market;
- (4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (5) 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.

The source of the definition of **Market Value** is the Office of the Federal Register, 12 CFR 34.42(g).

Appraisal Development, continued

Property Rights Appraised

**Fee Simple Interest:** 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. (*Dictionary of Real Estate Appraisal*, 5<sup>th</sup> Edition, Appraisal Institute)

Client - Intended User - Intended Use

The client is Mr. Gregory S. Milligan, CTP. The intended user of this appraisal is Mr. Gregory S. Milligan, CTP, Harney Partners and/or their assigns. The intended use is for market valuation for marketing.

Appraisal Assignment

The client has requested a market value opinion of the subject property via email conversation. The content of this **Appraisal Report** is consistent with the appraisal assignment and the intended use of the appraisal.

Date of the Appraisal - Date of the Report

The effective date of the appraisal is the date of the inspection,

Appraisal Development, continued

**August 9, 2019.** The date of the report is **August 14, 2019.**

Hypothetical Conditions - Extraordinary Assumptions

This appraisal report concludes a market value opinion for the subject property in its "as is" condition as of the date of inspection, August 9, 2019.

A market value of opinion is concluded in the Sales Comparison Approach and Income Approach sections based on the hypothetical condition that, as of the inspection date, the subject property had no roof or interior damage. This market value will be the basis for the "before value" that will be used in the "Market Value - After Damage" section of the report that will be used to produce the "As Is" market value estimate.

No extraordinary assumptions are employed.

Scope of Work

The market value opinion concluded in this report is based on investigation and analysis of all known, relevant factors that impact the market value of the subject property. This includes

Appraisal Development, continued

external factors such as general economic, social, and political influences, area and neighborhood trends, the neighborhood's physical environment, and internal factors such as the physical attributes of the subject property. Information sources relied upon included: 1. a visual, walk-thru inspection of the subject property on August 9, 2019, 2. a roof damage report addressed to Allstate Insurance Company prepared by Donan Engineering Co. dated March 3, 2019 provided by the client, 3. a roof replacement quote for 2801 Paramount from Nick Robbins dated May 24, 2019 provided by the client, a floorplan (from the Potter Randall Appraisal District records), 4. public sources such as the City of Amarillo and the Potter-Randall Appraisal District and, 5. sales data, lease data, and other relevant information deemed reliable and necessary to the appraisal process. The relevance and application of each of the three approaches to value are discussed as follows:

The cost approach estimates the total depreciated cost of a property's improvements and adds this to the market value of the land to determine an estimate of the property's value. The process relies on subjective estimates of physical, functional, and/or external depreciation. Generally, the older the property or the



Appraisal Development, continued

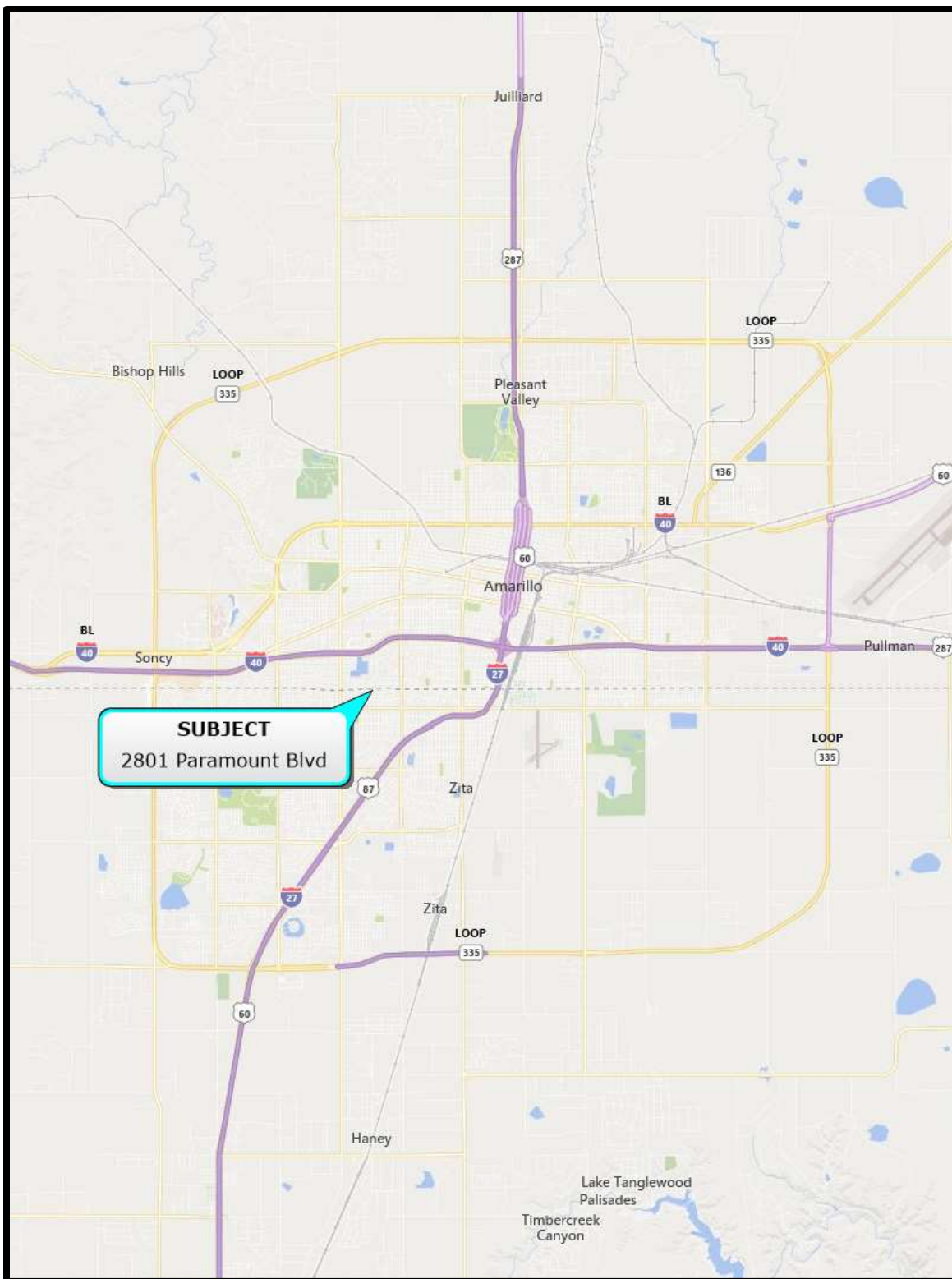
more remodeling that has occurred, the more subjective the depreciation estimates and the less reliable the derived value estimate. The subject's original improvements were constructed in 1975. The overall condition of the improvements increases the subjectivity of the depreciation estimates and limit credibility of a value conclusion. The cost approach is not developed for this appraisal.

The income capitalization approach is based on a property's income-producing potential. The subject property is vacant. The subject was previously owner occupied. Therefore, market income and expense data will be used to render a pro forma income and expense model. The net operating income estimate produced by this analysis will then be capitalized into a whole-dollar value estimate using an appropriate, market-based capitalization rate.

The sales comparison approach is employed when there is sufficient data to produce a credible indication of value. In this case, there are a sufficient number of comparable sales to warrant its development.

Appraisal Development, continued

The relative merits and weight given to each approach in the final market value opinion will be discussed in the Correlation and Conclusion section of the report.



## LOCATION MAP

## CITY OF AMARILLO AND REGIONAL DATA

### Location

Amarillo is located in the central Texas Panhandle in an area generally identified as the Panhandle Plains. The city is situated in both Potter and Randall Counties and is the county seat of Potter County. This central Panhandle location and a diversified economy establish Amarillo as the economic center of a retail trade area with a 150-mile radius around Amarillo. This trade area encompasses the 32 northernmost counties of Texas along with communities in Kansas, Colorado, and the two bordering states of New Mexico and Oklahoma.

### Highways

Amarillo is served by five US highways: two are Interstate routes, and three are Federal highways. They include Interstate 40, a heavily traveled east-west route; Interstate 27, a north-south route beginning at Amarillo and extending approximately 120 miles south to Lubbock, Texas; US 60 and 87, primarily north and south routes; and US 287, northwest to Colorado and southeast to the Dallas/Fort Worth Metroplex.

City of Amarillo and Regional Data, continued

Census Year:	<u>Population</u>			
	<u>2010</u>	<u>2000</u>	<u>1990</u>	<u>1980</u>
Potter County	121,073	113,546	97,874	98,637
Randall County	120,725	104,312	89,673	75,062
Amarillo	190,695	173,627	157,615	149,230

<u>Climate</u>		
Temperatures:	January Average Minimum	21 degrees
	July Average Maximum	92 degrees
Rainfall:	Annual Average	19.10 inches

With an elevation averaging 3,650 feet above sea level and an average wind speed of 13.6 mph, the average humidity in the Amarillo area is a low 58% and cool evenings prevail during the summer.

City Government

Amarillo was first incorporated in 1892. In 1913, a new charter was established and Amarillo became the first city in the southwest to adopt the council-manager form of government, which exists today. The mayor and council members are elected at large for two-year terms. The city manager is an employed professional administrator.

City of Amarillo and Regional Data, continued

Utilities

Natural Gas - Service is provided by Atmos Energy (formerly Energas). Atmos establishes rates for large industrial users through negotiation.

Electric Power - Electric service is provided for Amarillo by XCEL. The company's corporate offices and one division office are located in Amarillo.

Water Supply - Fresh water well fields provide the bulk of the Amarillo water supply. A recently completed Potter County well-field pump station and pipeline will add an additional 20 million gallons of water per day to the local water supply. Amarillo's future water needs are well secured.

Water Disposal - Approximately 80% of the city is provided with storm sewer service while 100% of the city is provided with sanitary sewer coverage. Commercial waste haulers, including one hazardous waste hauler, are available to commercial and industrial businesses requiring the service. Weekly pickup of residential solid wastes is provided by the city.

City of Amarillo and Regional Data, continued

Medical Facilities

The Harrington Regional Medical Center, encompassing more than 430 acres on the northwest edge of the city, consists of 27 health care, health service, research, and education facilities and is one of the nation's largest concentrations of medical facilities. These facilities service over one million visitors each year and generate over \$1 billion in annual business activity for the Amarillo area. These facilities include three medical schools, a cancer treatment center, three acute-care hospitals (including the Veterans Administration Medical Center), a children's hospital, a speech and hearing center, several medical research labs, a Ronald McDonald House for parents with children receiving long-term treatment, and League House for families of adults residing outside of Amarillo who are also receiving long-term treatment. Other members include the Amarillo Botanical Gardens, Don Harrington Discovery Center, a childcare center, retirement center, nursing home, and veterinary laboratory. The entire complex is beautifully landscaped along a natural drainage area providing two manmade lakes. The city has developed the area into a city park with paved walks, bridges, trees, and shrubs, making it one of the most pleasant parks within the city.

City of Amarillo and Regional Data, continued

Transportation

Air Service - The Rick Husband International Airport supports the operations of six passenger-freight carriers offering an average of 30 daily flights. These services are provided by Southwest Airlines, American Eagle, and Continental Express. American Eagle provides service to the Dallas/Fort Worth area with connecting flights. Southwest provides direct service to Arizona, Nevada, Colorado and California, as well as the Dallas/Fort Worth area. Continental Express provides service to the Houston area.

The airport facilities include a 15,300-foot concrete runway, a US Customs Port of Entry, and a 145,000 SF terminal building. The airport is an FAA-controlled airport with a control tower and instrument approaches serving all runways.

Education Facilities

Education opportunities in the Amarillo area are provided in both public and private facilities. The public facilities include elementary and secondary schools, a nationally ranked community college (Amarillo College), a four-year university (West Texas A&M) in the nearby city of Canyon, a medical school and a pharmacy school



City of Amarillo and Regional Data, continued

(Texas Tech University Health Sciences Center) - both located at Amarillo's Medical Complex on the western edge of the city. Vocational and technical training are available through well-established technical and trade schools in addition to the training programs provided by the community college. Private education facilities are available from pre-kindergarten through high school.

Financial Institutions

Financial institutions include 12 credit unions and 21 banks.

Taxes

City Taxes - Ad valorem taxes on real property are assessed by the city, the Amarillo Independent School District, the Amarillo Hospital District and the Amarillo College District. The city does not levy income, inheritance or estate taxes, but a local sales tax of 8.25% is collected, (6.25% State/2.0% City).

County Taxes - Neither Potter nor Randall Counties collect income, estate or inheritance taxes. Ad valorem taxes on real property are assessed on all property and a business/personal tax is assessed on all businesses in the county.

City of Amarillo and Regional Data, continued

State Taxes - Texas has no state income tax or general use tax. The state's only payroll tax is the Unemployment Compensation tax. A state sales tax of 6.25% is levied on all items except food. A motor-vehicle registration fee is assessed each time a vehicle is registered in the state. A motor-vehicle sales tax of 6.25% is assessed each time a vehicle is sold or conveyed in any manner with the tax based on the retail value of the vehicle. Both Potter and Randall Counties add a \$10.00 road and bridge fee to all vehicle and trailer license purchases.

Agriculture

Surrounded by 6.5 million acres of irrigated farmland and large sections of dryland farms, Amarillo is the center of a vast crop and cattle producing area. Twenty-five percent of the nation's cattle feedyards exist in the area. Area cattlemen and crop producers generate two billion dollars a year in sales from their products. Area crops include grain sorghum, hay, alfalfa, maize, wheat, soybeans, winter barley and rye.

City of Amarillo and Regional Data, continued

Major Employers

Major employers in the Amarillo area and the number employed are: The AISD - 5,364; Tyson Foods, Inc. - 4,400; CNS Pantex - 3,203; BSA Health System/Don & Sybil Harrington Cancer Center - 3,200; Northwest Texas Healthcare System - 1,860; City of Amarillo - 1,439; United Supermarkets - 1,604; Wal-Mart Super Centers - 1,359; Amarillo VA Health Care System - 1,215; Affiliated Foods/TriState Baking/Plains Dairy - 1,205; Toot 'n Totum - 1,000; XCEL Energy/SPS - 859; Texas Tech University Health Science Center - 840; Texas Dept of Criminal Justice/Clements Unit - 813; BNSF Railway - 805; West Texas A&M University - 801; Maxor National Pharmacy Services - 770; Bell Helicopter Textron, Inc. - 700; Amarillo National Bank - 663; Amarillo College - 642; Potter County - 608; Owens-Corning Fiberglass - 586; Baptist Community Services/Park Central/Ware Living - 401; Atmos Energy - 374; Cal Farley's 350, Happy State Bank - 349; TX DOT - 342; TX Panhandle Centers Behavioral & Development Health - 315; Asarco - 300; Region 16 Education Center - 296; Ben E. Keith Foods - 250; Family Medicine Centers - 250; Yellowhouse Machinery - 250; Potter County Sheriff Office - 232; J Lee Milligan - 225; American Quarter Horse Association - 212; Vibra Hospital - 200; and Panhandle Eye Group - 200. (Amarillo Chamber of Commerce updated 2/19)

City of Amarillo and Regional Data, continued

AMARILLO'S CURRENT ECONOMIC INDICATORS

JUNE 2019

	CURRENT MONTH	LAST MONTH	LAST YEAR SAME MONTH
=====			
SALES TAX			
COLLECTIONS	\$ 6,290,097	\$ 7,561,918	\$ 5,691,421
COLLECTIONS YTD	\$ 38,791,247	\$ 32,501,149	\$ 38,194,236
BUILDING PERMITS			
DOLLAR AMOUNT	\$ 39,650,671	\$ 29,764,832	\$ 36,251,695
RESIDENTIAL STARTS	32	35	64
NEW AUTO SALES	750	587	710
AIRLINE BOARDINGS	28,540	30,543	28,453
EMPLOYMENT			
TOTAL WORKERS EMPLOYED	129,756	129,727	130,700
UNEMPLOYMENT RATE	2.10%	2.10%	2.60%
DRILLING RIGS/PANHANDLE	8	11	19
OIL PRICE PER BARREL	\$ 61.16	\$ 63.89	\$ 70.72
NATURAL GAS PER MM BTU	\$ 2.65	\$ 2.66	\$ 2.82
=====			

Amarillo's economy continues to send mixed signals with inconsistencies in the various reports. Data from the State appears to have an oops.

Amarillo Retail Sales are up 16% for the month, but only 1.5% YTD.

Lubbock is up 19% for the month with a 7% increase from a year ago.

City of Amarillo and Regional Data, continued

Amarillo and Lubbock are both showing slight drops in workers employed. The Amarillo Household Survey is down 900 and the Employers' Survey is down 1,000 jobs. Lubbock is down 500 in the Household Survey and 200 in the Employer's Survey. Midland/Odessa are showing increases in worker's employed. Midland/Odessa are up 4,631 in the Household Survey and 14,900 in the Employer's Survey. Wages in Amarillo are up 3% YTD and Lubbock 6% YTD. The unemployment rate for Amarillo is 2.1% and Lubbock 2.3%.

New car sales are up 27% from a month ago and 6% from a year ago. Used car sales are up, with an 18% increase for the month and 1.8% for the year. Airline Boardings are level with a year ago and Hotel/Motel collections are up 21% from this time last year.

Housing is weak, even with lower interest rates. Monthly Residential Starts are down 50% from last summer (32 in 2019; 64 in 2018) and down 32% year to date (176 in 2019; 260 in 2018). House prices are up 4% in Amarillo. Construction is level in Amarillo with building permits up 9% from 12 months ago. Fewer large projects in town skew the year to date comparison (down 26%).

City of Amarillo and Regional Data, continued

Commodities continue to be volatile. Cattle prices are down 2% from last year and with the higher cost of grain are losing money per head. Dairies have improved some, with milk prices up 18% from last year and are starting to see some profits halfway in 2019.

Farming is tough. Good moisture has stalled wheat cutting and cotton planting, but conditions are looking good for the rest of the summer. Wheat prices are down 19%, corn is down 3.8% and cotton is up 5%.

We continue to see less drilling in the Panhandle (rig count is 8, down from 19 last year). Natural gas prices have fallen to \$2.65 (but are below \$1 in much of the Permian due to lack of pipelines). Oil was \$61 last month, but has fallen into the \$50's the last few weeks.

The data utilized in the composition of this community profile, developed by the Steve Rogers Company, was obtained from public records and included the following sources:

- (1) Amarillo Chamber of Commerce, Economic Development Council
- (2) Amarillo National Bank publication "The Amarillo Economy"
- (3) Amarillo Globe News - various articles and graphics

## NEIGHBORHOOD DESCRIPTION

The subject market area includes southwest Amarillo. It is bounded by I-40 on the north, Hollywood Road/Loop 335 on the south, I-27/Canyon Expressway on the east, and Soncy Road/Loop 335 on the west. It is organized into a one square-mile grid pattern that separates neighborhoods by major traffic arteries that generally follow the original survey section lines. Major north-south routes include Washington Street, Georgia Street, Western Street, Bell Avenue, Coulter Drive, and Soncy Road, while the major east-west routes are SW 34th Avenue, SW 45th Avenue, Interstate-40, and Hillside Drive. Commercial development is typically zoned to the neighborhood boundaries and includes national, regional, and local businesses, including "big box" stores, retail, offices, restaurants, convenience stores, various light commercial businesses, auto dealerships, apartment complexes, moderate-density residential districts, bank branches, and other commercial development. Neighborhood interiors support highly popular single-family residential developments with schools, churches, and neighborhood parks and often feature street patterns designed to restrict "thru" traffic. The area defines Amarillo's primary growth pattern: from older neighborhoods in the northeast toward

Neighborhood Description, continued

newer development in the southwest. It includes a number of popular residential subdivisions where property values can range upward to \$1,000,000 and beyond. The older neighborhoods remain stable and appealing but feature no significant new construction.

Major intersections that have experienced recent commercial development include 34th and Coulter, 45th and Western, Hillside and Bell, and Hillside and Coulter. A Wal-Mart Supercenter opened in 1994 at the southwest corner of Coulter and SW 45th Street. A Lowe's Home Center (100,000 SF) opened in 1995 adjacent to Wal-Mart. These major businesses have attracted other "pad site" and strip center construction to the intersection.

The largest single commercial development in the area is Westgate Mall, a million square-foot regional facility located at I-40 between Coulter Road and Soncy Road/Loop 335. It opened in October, 1982 and continues to attract customers from throughout the Amarillo trade area. The most dramatic new growth is located just to the west of Westgate Mall at the southwest corner of I-40 and Soncy Road/Loop 335. This "power center" initially included



Neighborhood Description, continued

national tenants Home Depot, Office Max, Kohl's, Pets Mart, and Old Navy. Second-stage development south along Soncy Road/Loop 335 includes Bed, Bath & Beyond, Ross Dress for Less, David's Bridal, and Jo Ann's Fabrics. Free-standing properties include Academy Sports, Sakura Japanese Steakhouse, Gene Messer Ford, Street Toyota, First United Bank, Happy State Bank, Amarillo National Bank, and other businesses. Other smaller, well established shopping centers located in the market area include the Paramount shopping district at I-40 and Paramount, the Wolflin Shopping Center at I-40 and Georgia and the Summit Shopping Center/Coulter Forum Shopping Center at 34th and Coulter. Occupancy rates are high in almost all of these centers.

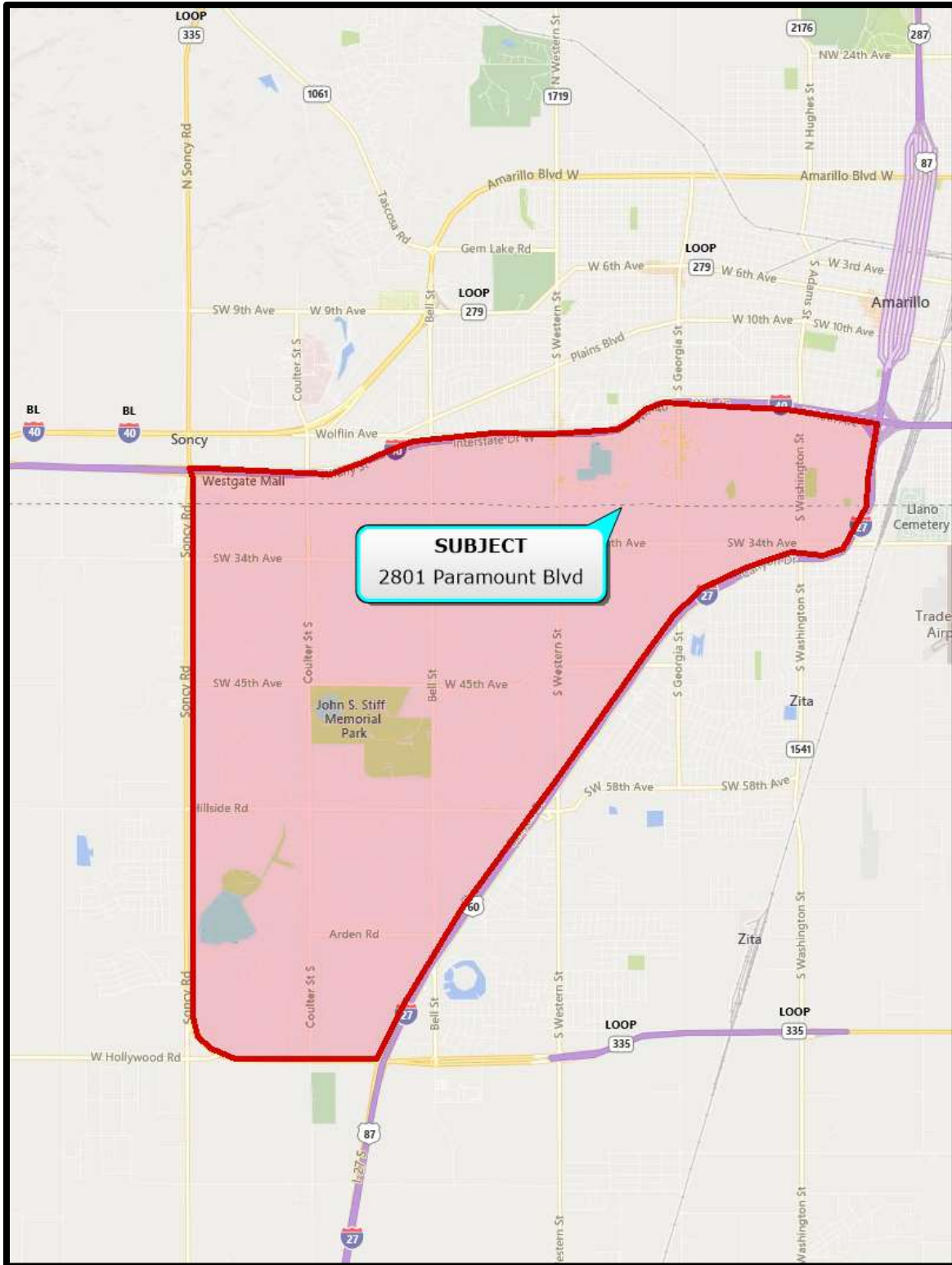
Subject Immediate Area

The subject's immediate area is identified along Paramount Blvd. It is located south of the intersection of Olsen Blvd. and Paramount Blvd. All property types are present in the vicinity, traffic counts are high, business activity is positive, and the area is regarded as a good location in south Amarillo.

Neighborhood Description, continued

Conclusion

The subject market area contains the city's most popular residential developments, the largest retail mall in the city, ongoing residential and commercial expansion, and room for further growth. These factors support the city's continued growth to the southwest.



## NEIGHBORHOOD MAP

## SITE DESCRIPTION

### Location

The subject property is located in southwest Amarillo, along Paramount Blvd. The subject is located on the east side of Paramount, at the southeast corner of Paramount and 28<sup>th</sup> Avenue. The subject is located near the Paramount retail area, in a location mixed with various commercial uses and residential. The address is 2801 Paramount, Amarillo, Texas.

### Legal Description

The subject is legally described as: Lots 13 thru 15, Block 5, Lawrence Park Addition #4, City of Amarillo, Randall County, Texas. This legal description is taken from PRAD records. No survey was available.

### Size and Shape

The site is irregular in shape. It contains 29,458 SF or 0.68 acres of land.

Site Description, continued

Topography and Soil

The site is level and appears to have adequate natural drainage. The soil type is assumed suitable for all types of construction.

Flood Zone

The subject property is **not** located within a FEMA-designated hazardous flood area according to flood map 48375C0510C, dated 6/4/10.

Hazardous Substance Comment

The property inspection did not reveal the obvious presence of environmental contamination. However, the appraiser has no special training or expertise to examine for such contamination, and no warranty is made or implied that such contamination does not exist. The subject property is assumed environmentally clean and in compliance with all applicable local, state, and federal environmental regulations. Interior damage from roof leaks appear to have produced water damage and mold. The appraiser has no expertise in judging the market value effect on such damage.

Site Description, continued

Easements and/or Encroachments

No adverse easements, encroachments, or other adverse site conditions were noted during the inspection.

Services

All utilities (electricity, gas, water, and sewer) are available to the site. Police and fire protection are provided by the City of Amarillo.

Access

The subject has good access from Paramount Blvd. Paramount Blvd. has access to Interstate 40, Georgia Street and Western Street which provide good access to all parts of Amarillo. In addition to Paramount Blvd. the subject has access from SW 28<sup>th</sup> Ave. to the north.

Street Improvements

Paramount Blvd. and SW 28<sup>th</sup> Ave are two lane traffic carriers with concrete curb and gutter.

Site Description, continued

Zoning

The subject property is zoned "O-2" Office District 2. The current improvements conform to this zoning designation.

Tax Value and Taxes

The subject property is located in Potter Randall Appraisal District (PRAD) account R-044-4800-0906.0. The subject's 2019 assessed value is \$352,191. The 2018 ad valorem taxes were \$7,934.31. According to Randall County, the 2018 ad valorem taxes for the subject property have not been paid. The current amount with penalties and interest is \$11,330.21.

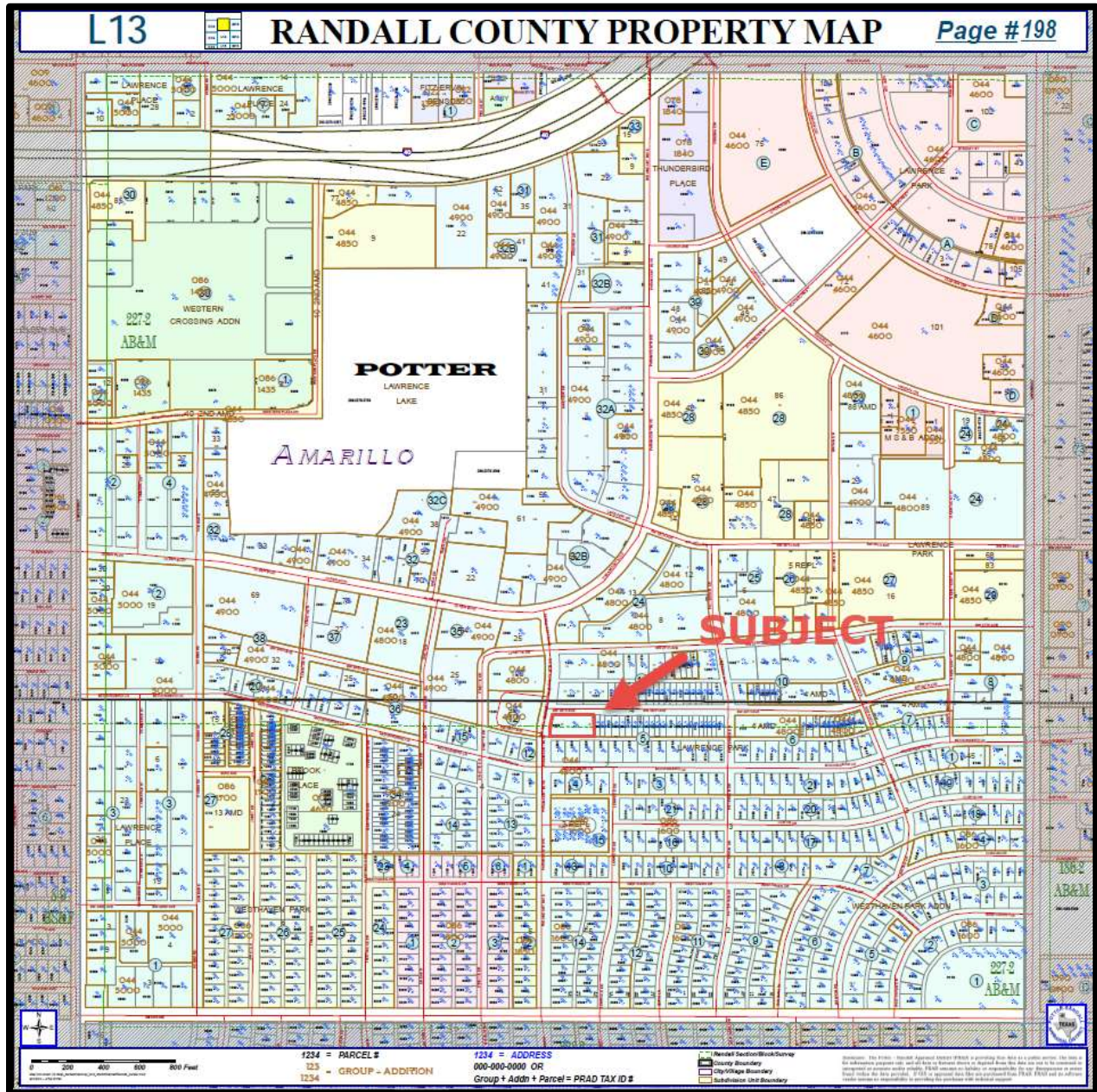
Ownership History

The subject property has been owned by Jay B Ledford in excess of three years. No transactions or transfers involving the subject property have occurred in the three years immediately preceding the effective date of this appraisal. The subject is not offered for sale or under contract to sell. The purpose of this appraisal report is to aid in establishing a market value estimate for future marketing.



**AERIAL VIEW**

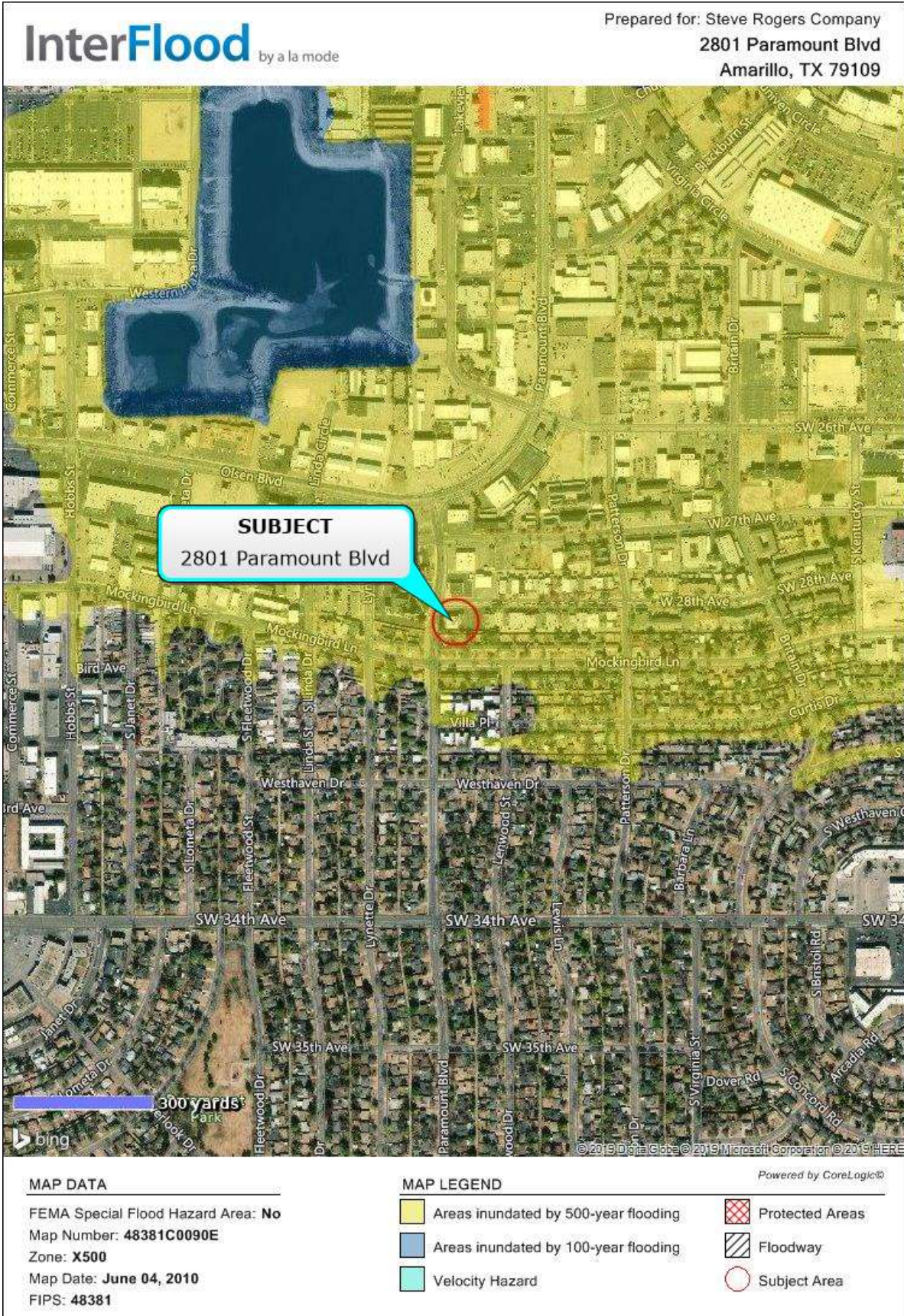




# PLAT MAP



## ZONING MAP





Custom Soil Resource Report

### MAP LEGEND

**Area of Interest (AOI)**

- Area of Interest (AOI)

**Soils**

- Soil Map Unit Polygons
- Soil Map Unit Lines
- Soil Map Unit Points

**Special Point Features**

- Blowout
- Borrow Pit
- Clay Spot
- Closed Depression
- Gravel Pit
- Gravelly Spot
- Landfill
- Lava Flow
- Marsh or swamp
- Mine or Quarry
- Miscellaneous Water
- Perennial Water
- Rock Outcrop
- Saline Spot
- Sandy Spot
- Severely Eroded Spot
- Sinkhole
- Slide or Slip
- Sodic Spot

- Spoil Area
- Stony Spot
- Very Stony Spot
- Wet Spot
- Other
- Special Line Features

**Water Features**

- Streams and Canals

**Transportation**

- Rails
- Interstate Highways
- US Routes
- Major Roads
- Local Roads

**Background**

- Aerial Photography

### MAP INFORMATION

The soil surveys that comprise your AOI were mapped at 1:24,000.

**Warning:** Soil Map may not be valid at this scale.

Enlargement of maps beyond the scale of mapping can cause misunderstanding of the detail of mapping and accuracy of soil line placement. The maps do not show the small areas of contrasting soils that could have been shown at a more detailed scale.

Please rely on the bar scale on each map sheet for map measurements.

Source of Map: Natural Resources Conservation Service  
 Web Soil Survey URL:  
 Coordinate System: Web Mercator (EPSG:3857)

Maps from the Web Soil Survey are based on the Web Mercator projection, which preserves direction and shape but distorts distance and area. A projection that preserves area, such as the Albers equal-area conic projection, should be used if more accurate calculations of distance or area are required.

This product is generated from the USDA-NRCS certified data as of the version date(s) listed below.

Soil Survey Area: Randall County, Texas  
 Survey Area Data: Version 16, Sep 16, 2018

Soil map units are labeled (as space allows) for map scales 1:50,000 or larger.

Date(s) aerial images were photographed: Feb 17, 2019—Feb 26, 2019

The orthophoto or other base map on which the soil lines were compiled and digitized probably differs from the background imagery displayed on these maps. As a result, some minor shifting of map unit boundaries may be evident.

## Map Unit Legend

Map Unit Symbol	Map Unit Name	Acres in AOI	Percent of AOI
UB	Urbanland-Ustorthents complex, 0 to 45 percent slopes	0.7	100.0%
<b>Totals for Area of Interest</b>		<b>0.7</b>	<b>100.0%</b>

## DESCRIPTION OF IMPROVEMENTS

The following summary outlines the physical characteristics of the subject observed during the inspection.

<u>Building</u>	<u>Office Building</u> 2801 Paramount Amarillo, Texas
Size:	4,480 SF - Gross Bldg. Area, per PRAD records
Age:	Built in 1975; Remodeled in 2006
Foundation:	Concrete
Floor:	Concrete
Exterior Walls:	Brick Veneer
Roof:	Built-up; extremely poor condition. Bid estimate provided by client for replacement of roof for \$72,809.59 (included in addendum of report)
Exterior Details:	Ornamental wood doors, double pane windows
Interior Partitions:	Sheetrock, paper, textured and painted
Interior Ceilings:	Acoustic spray on drywall
Floor Coverings:	Carpet and ceramic tile
Lighting:	Fluorescent lighting

Description of Improvements, continued

Electrical:	Adequate, assumed to code
Mechanical:	Central heating, refrigerated air conditioning
Plumbing:	Adequate, assumed to code
Insulation:	Assumed adequate in walls and ceiling
Quality:	The subject has been built using good quality materials and workmanship.
Condition:	<p>The subject was renovated in 2006 including new paint, flooring, some remodeling, new cabinets and ceilings.</p> <p>Due to the needed roof repair, significant water damage has occurred in the interior of the subject. Including sheetrock and flooring damage. Evidence of mold and water damage was evident upon inspection.</p> <p>It is the appraiser's judgment that roof repair, ceiling repair, mold abatement, sheetrock repair, and replacement of floor covering are needed.</p>
Design & Utility:	The subject building is a single-story office building. The design is functional for a single user.

Description of Improvements, continued

Site Improvements

Parking:

The parking area has asphalt paved surface. The number of parking spaces appears to be adequate and assumed to meet local code.

Landscaping:

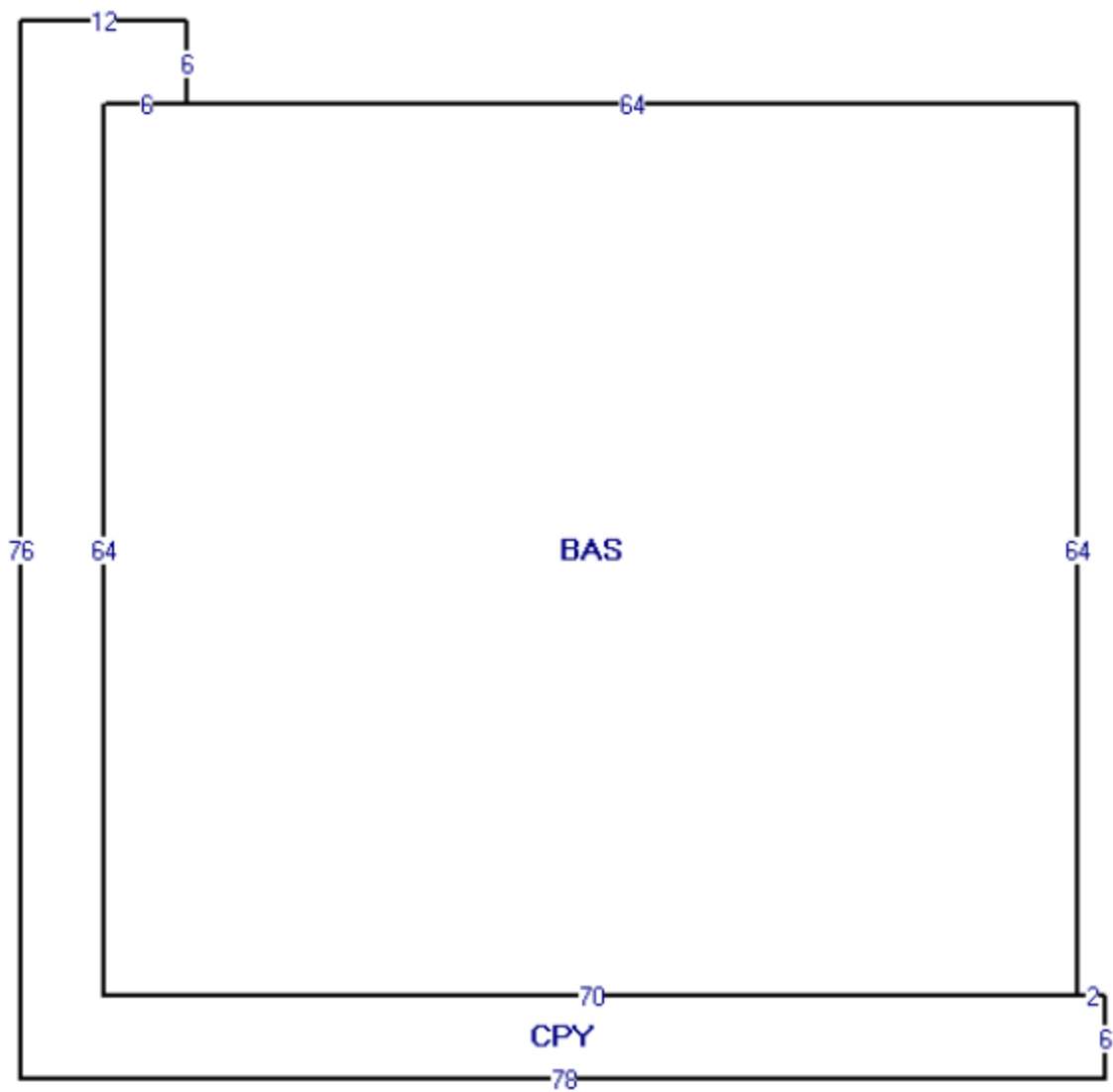
Professional with grass turf, shrubs and trees.



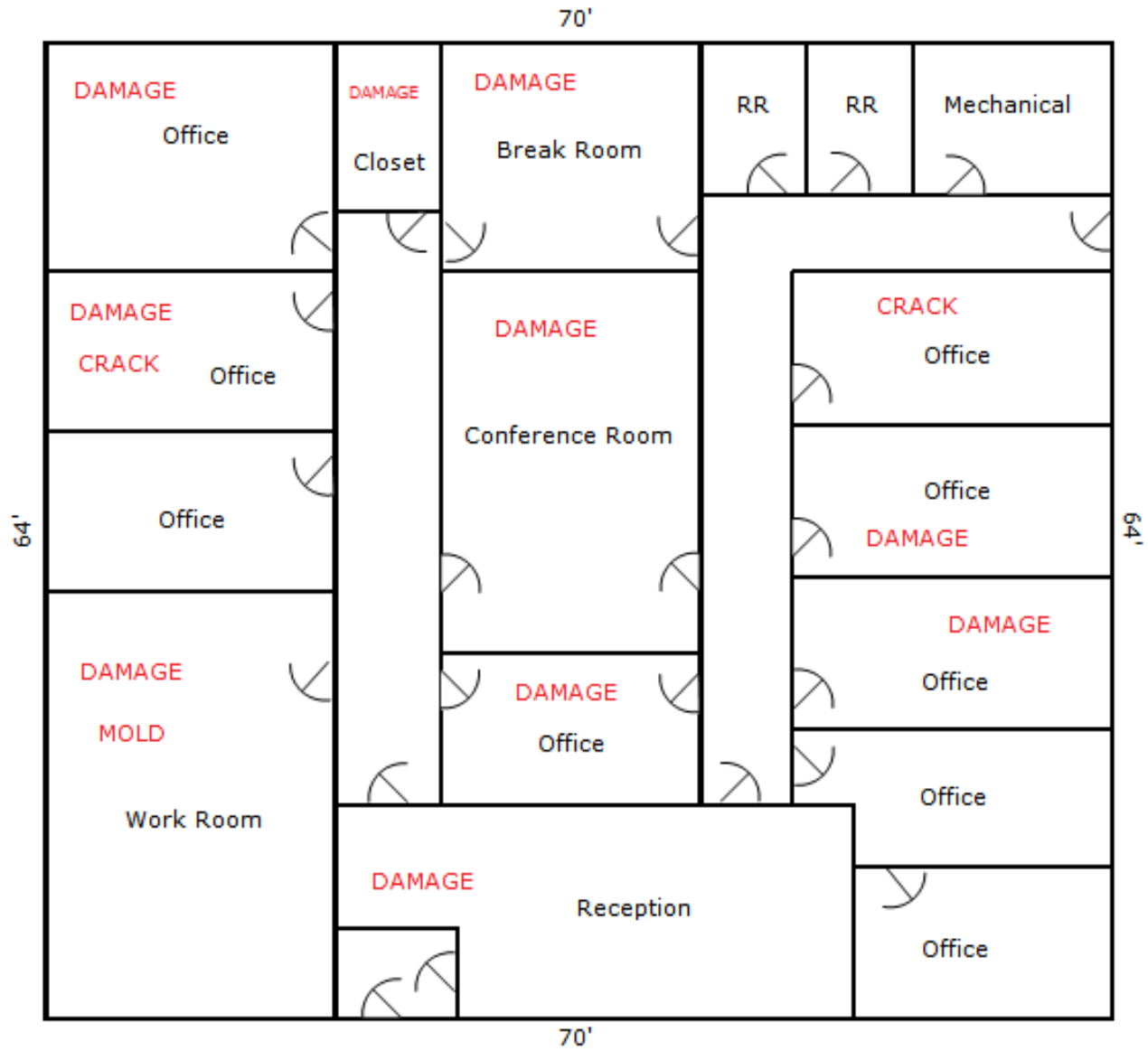
### REPAIR COST ESTIMATE

The appraiser has observed significant roof and interior damage to the subject property. A roof repair cost estimate of \$72,810 has been provided. No cost estimates are available for interior damage repairs. The appraiser has reviewed renovation costs for a remodel of the office building located at 4205 Ridgecrest Circle in Amarillo. Itemized costs, on a per square foot basis, from that project will be used to estimate repair costs for the subject property. Similar repairs and renovations on a 2,520 square foot space totaled \$32.69/SF. When applied to the 4,480 square foot subject property, the indicated repair costs would be \$146,435. For this valuation purpose, the following is a summary of estimated repair costs:

Roof (per bid)	\$ 72,810
<u>Interior (estimated)</u>	<u>\$146,435</u>
Total	\$219,245



## BUILDING SKETCH



**BUILDING SKETCH WITH DAMAGE IDENTIFIED**



**EXTERIOR FRONT VIEW**



**WEST ALONG 28TH**



**EXTERIOR**



**STORAGE/FILE ROOM CEILING DAMAGE**



**FILE AND STORAGE ROOM**



**TYPICAL SMALL OFFICE**



**LARGE OFFICE**



**CEILING DAMAGE**



**CEILING DAMAGE**



**CEILING DAMAGE**



**TYPICAL SMALL OFFICE**



**CONFERENCE ROOM**



**HALLWAY CEILING DAMAGE**



**RECEPTION AREA CEILING DAMAGE**



**CEILING DAMAGE**



**CRACK**



**CEILING DAMAGE**



**CRACK**



**CEILING DAMAGE**



**MOLD**

## HIGHEST AND BEST USE

A fundamental principle in the valuation of real estate is highest and best use: that use, as of the effective date of the appraisal, most likely to produce the greatest return to the land over a given period. It is also a "proper" use readily achieved and likely to be in demand. A property's highest and best use is judged by four criteria: 1. legal permissibility, 2. physical possibility, 3. financial feasibility, and 4. maximum profitability. Highest and best use is foundational to the appraisal process.

Highest and best use principles are applied to a property under two scenarios: 1. assuming the site is a vacant, unimproved tract, 2. assuming the site includes the existing and/or proposed improvements.

### Highest & Best Use - As A Vacant Site

#### Legal Permissibility

The subject site is located the Amarillo city limits. It is zoned "O-2" - Office District. This zoning designation allows for a



Highest and Best Use, continued

wide range of commercial improvements. Future development would necessarily comply with this zoning restriction to ensure legal permissibility.

Physical Qualities Influencing Utility

The subject site is level. It is sufficient in size and configuration to accommodate the improvements necessary to sustain a variety of commercial businesses. The soil type is assumed suitable for most types of construction. All public utilities and services are present.

Locational Influences

The site is centrally located within Amarillo. This is a very active commercial area easily accessed from all parts of the city. The site's location on Paramount Blvd. is easily accessible and adequately visible.

Financial Feasibility - Probability of Change

The subject is in an active commercial neighborhood in the city. Current economic conditions in Amarillo and the region indicate a continued positive environment for future growth. The size,

Highest and Best Use, continued

configuration, and location of the subject site within the neighborhood suggest that it would be financially feasible to develop it, if vacant, for a variety of commercial uses, with emphasis on an office use.

Maximum Profitability

The traffic flow in and character of the surrounding neighborhood lead to a judgment that the site could return maximum profits to the owner if developed for commercial uses such as an office property or other commercial enterprise requiring good visibility and good access.

Conclusion

An analysis of the subject property employing the four criteria cited above leads to an opinion of the highest and best use of the subject site, as vacant, to be for use as an office or similar commercial enterprise.

Highest and Best Use - As Improved

The highest and best use of a property, as improved, may not be the same as the highest and best use of the vacant site. However, the

Highest and Best Use, continued

existing improvements are not usually removed until the vacant site's value exceeds its value as improved, making it feasible to replace those improvements and thereby maximize return to the land. The site is improved with an office building and associated site improvements. These improvements are functional and in good condition. The property's value, as improved, is greater than the value of the vacant site.

Conclusion

The configuration and quality of the existing improvements, the character of the surrounding neighborhood, and current economic conditions in Amarillo indicate that the highest and best use of the subject is its continued use as an office or other similar commercial use.

## INCOME CAPITALIZATION APPROACH

## INCOME CAPITALIZATION APPROACH

The income capitalization approach estimates a property's value based on its income-producing characteristics. The income a property is likely to produce is analyzed for its quantity, quality, and durability as they relate to the property and its market. The property's net operating income derived from this analysis is then capitalized into a whole-dollar value estimate. The following five steps outline this process.

1. Estimate annual potential gross income (PGI).
2. Estimate and deduct expected vacancy and collection loss to determine an effective gross income (EGI).
3. Estimate expenses and deduct them from the EGI to determine a net operating income (NOI).
4. Choose an appropriate capitalization rate and method.
5. Capitalize the NOI into an estimate of market value.

### Potential Gross Income - Economic Rent

The subject was previously owner-occupied but is now vacant. In the absence of an existing or pending lease, it is necessary to analyze rental data for similar property types in the subject

Income Capitalization Approach, continued

market to establish an economic rent that can be applied to the subject. Economic rent is the rent a property would command for available space on the open market. It is assumed that prospective tenants search the marketplace, compare rental rates and services, and negotiate the most advantageous rental rate based on the principle of substitution, i.e. when similar services, commodities, or goods are available, the one with the lowest price will attract the greatest demand and widest distribution. After lease rates and terms are adjusted to reconcile comparables to the subject for significant differences, the result indicates its economic rent, or "market" rent. The following comparable rentals illustrate the competing lease-space market found in the economic rent study.

## Improved Lease No. 1



### Property Identification

<b>Record ID</b>	543
<b>Property Type</b>	Retail
<b>Property Name</b>	Retail Lease
<b>Address</b>	3350 Olsen, Suite 1200 & 1300, Amarillo, Potter County, Texas

### Physical Data

<b>Gross SF</b>	2,976
<b>Year Built</b>	2013

### General Lease Data

<b>Tenant</b>	Glover Logistics
<b>Typical Lease Term</b>	Began 7/1/2017, 37 Months

### General Tenant Summary

<b>Owner</b>	Olsen Office Warehouse, LLC
<b>Rent Charges</b>	\$1,800/ Month

### Rent Analysis

<b>Actual Rent</b>	\$7.26/SF
--------------------	-----------

### Remarks

Verified by broker: Ben Whittenburg.

## Improved Lease No. 2



### Property Identification

**Record ID** 558  
**Property Type** Office  
**Property Name** Office Lease  
**Address** 4000 SW 34th Ave, Amarillo, Randall County, Texas

### Physical Data

**Leasable SF** 1,500  
**Construction Type** Brick Veneer  
**Roof Type** Flat  
**Year Built** 1972

### General Lease Data

**Tenant** Horton Neely Real Estate  
**Typical Lease Term** 36 months; began 7/1/2017

### General Tenant

#### Summary

**Owner** W Osborn Properties LLC  
**Rent Charges** \$1,250/Month; 2 years  
**Escalations** \$1,300/Month; 3rd year

### Rent Analysis

**Actual Rent** \$10.00 - \$10.40/SF  
**Occupancy** 100%

### Remarks

Verified by agents - Miles Bonifield and Thomas H. Horton.



### Improved Lease No. 3



#### Property Identification

**Record ID** 604  
**Property Type** Retail  
**Property Name** Retail Lease  
**Address** 2800 Civic Circle #200, Amarillo, Potter County, Texas

#### Physical Data

**Leasable SF** 2,354  
**Construction Type** Brick Veneer  
**Roof Type** Flat  
**Year Built** 1957 remodeled 2016  
**Condition** Good

#### General Lease Data

**Tenant** Butler Benefits & Consulting LLC  
**Typical Lease Term** 60 months; began 2/1/2017

#### General Tenant

##### Summary

**Owner** Civic Circle Investments LLC

#### Rent Analysis

**Actual Rent** \$11.00 - \$12.00/SF; \$11.50/SF Average  
**Occupancy** 100%

#### Remarks

60 month lease with first month free. 3/1/2017 thru 2/28/2020 - \$2,157.83/month and 3/1/2020 thru 2/28/2022 - \$2,354/month. Verified by agents - Ben Whittenburg & Aaron Emerson.

## Improved Lease No. 4



### Property Identification

**Record ID** 619  
**Property Type** Office  
**Property Name** Office Lease  
**Address** 4231 Ridgecrest, Amarillo, Randall County, Texas

### Physical Data

**Leasable SF** 1,800  
**Construction Type** Stucco  
**Roof Type** Flat  
**Year Built** 1978  
**Condition** Average

### General Lease Data

**Tenant** Thomas L Moore  
**Typical Lease Term** 36 months; began 3/1/2017

### General Tenant

#### Summary

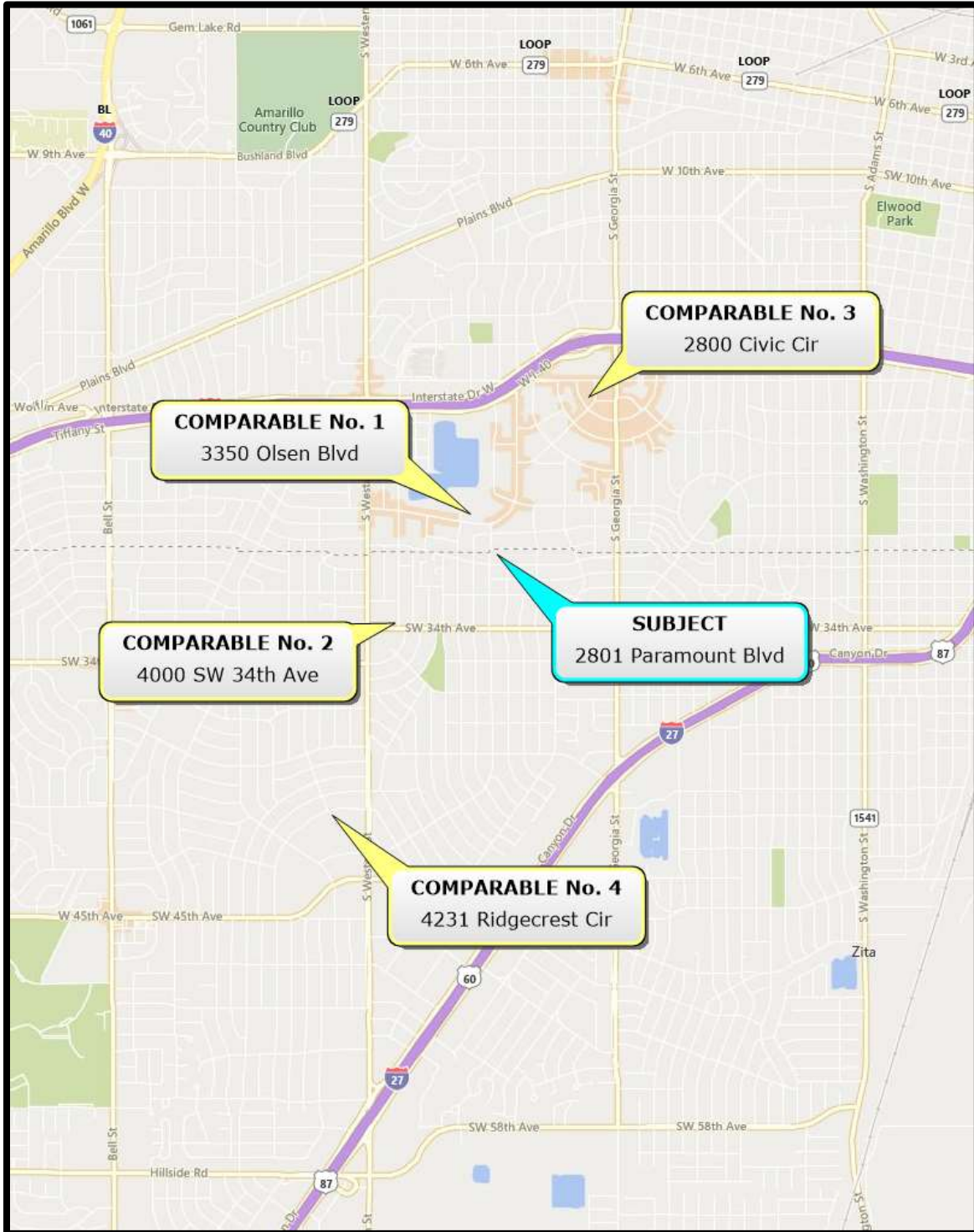
**Owner** Russel L. Robinson

### Rent Analysis

**Actual Rent** \$7.55 - \$8.01/SF; \$7.78/SF Average  
**Occupancy** 100%

### Remarks

Multi-tenant office building. 36 month lease term being 3/1/2017 thru 2/28/2018 - \$1,133/month, 3/1/2018 thru 2/28/2019 - \$1,167/month and 3/1/2019 thru 2/28/2020 - \$1,202/month. Verified by agent Cathy Derr.



## COMPARABLE LEASES MAP

Income Capitalization Approach, continued**SUMMARY OF OFFICE RENT COMPARABLES**

<i>Rent</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
<i>Location</i>	<i>3350 Olsen</i>	<i>4000 SW 34<sup>th</sup></i>	<i>2800 Civic Circle</i>	<i>4321 Ridgecrest</i>
<i>Size/SF</i>	<i>2,976 SF</i>	<i>1,500 SF</i>	<i>2,354 SF</i>	<i>1,800 SF</i>
<i>Terms</i>	<i>NNN</i>	<i>NNN</i>	<i>NNN</i>	<i>NNN</i>
<i>Rent/SF/YR</i>	<i>\$7.26</i>	<i>\$10.40</i>	<i>\$11.00</i>	<i>\$8.01</i>

**OFFICE RENT COMPARABLES ADJUSTMENT**

<i>Rental</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
<i>Rent/SF/YR</i>	<i>\$7.26</i>	<i>\$10.40</i>	<i>\$11.00</i>	<i>\$8.01</i>
<i>Location</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Age</i>	<i>-10%</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Terms</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Quality &amp; Condition</i>	<i>+20%</i>	<i>0</i>	<i>-20%</i>	<i>0</i>
<i>Net Adjustment</i>	<i>+10%</i>	<i>0</i>	<i>-20%</i>	<i>0</i>
<i>Adjusted Price/SF/YR</i>	<i>\$7.99</i>	<i>\$10.40</i>	<i>\$8.80</i>	<i>\$8.01</i>

These comparables represent office space comparable to the subject in its overall configuration. Comparable 1 is a newly constructed, office/retail/industrial mixed use property. It is newer than the subject property, but with less office finish out. A downward

Income Capitalization Approach, continued

adjustment for age, and upward adjustment for quality and condition is indicated. Comparable 3 is a newly renovated retail/office, multi-tenant property. It is considered to be superior in quality and condition to the subject property. A downward adjustment is indicated.

The adjusted rental rates range from \$7.99/SF/Year to \$10.40/SF/Year. A rental rate is concluded for the subject at \$9.00/SF/Yr. This range is converted into a PGI as follows:

<u>Gross Building Area</u>		<u>Rent/SF/Year</u>		<u>Potential Gross Income</u>
4,480 SF	x	\$9.00/SF/Year	=	\$40,320
				(or \$3,360/Month)

Vacancy Allowance

Over an ownership period, partial rental loss usually occurs through vacancies or collection problems. Occupancies rates are high for single tenant office buildings in the Amarillo market, and a 5% allowance for vacancy is considered reasonable for the subject.

Income Capitalization Approach, continued

Expenses

The subject property would be a single tenant occupant as the building is currently designed. In the Amarillo office market, single tenant buildings are normally leased on a triple-net basis. In a triple-net lease, the tenant is responsible for all expenses (taxes, insurance, utilities, janitorial services, regular maintenance and repair). The owner's only expense is for management of the lease. A market review of management expenses produces a range between 3% and 8% of Effective Gross Income. A rate of 5% of EGI is considered reasonable for a good quality property such as the subject and will be applied in the income model below.

Operating Statement

Based on the above income and expense information, the following operating statement concludes a net income projection for the subject property:

Potential Gross Income Estimate	\$ 40,320
Less Vacancy & Collection Loss @ 5% PGI	(\$ <u>2,016</u> )
Effective Gross Income	\$ 38,304
Less Expenses (5% of EGI)	(\$ <u>1,915</u> )
Net Operating Income Estimate	\$ 36,389

Income Capitalization Approach, continued

Overall Capitalization Rate

Direct income capitalization applies an overall capitalization rate to the NOI to produce a market value estimate. Two techniques are available for choosing an appropriate rate. a. When the data is sufficient in quantity and detail, capitalization rates derived from the comparable sales employed in the sales comparison approach are the best source for choosing an appropriate rate for the subject because these properties share similar characteristics and investor appeal. However, only one comparable in the sales comparison approach produced a capitalization rate, and this is insufficient to ground the subject's projected OAR. b. The band of investment technique builds a market-based, weighted capitalization rate with two components: 1. return to equity or "cash-on-cash" return, 2. available mortgage terms. These components are derived from market observations, and the resulting capitalization rate is regarded as credible in the absence of more specific information. This is the technique employed to determine an appropriate capitalization rate for the subject.

1. RealtyRates.com's 2019 2<sup>nd</sup>-quarter survey reveals equity dividend rates for office space from 7.44% to 15.78% with an average of

Income Capitalization Approach, continued

12.03%. Observation of the local investor environment leads to a rate of 9.00%, based on the typical investor requirement of a eleven- to twelve-year payback on the investment.

2. Mortgage interest rates run between 3.55% and 8.14% and average of 5.35%. Loan-to-value ratios span 90/10 to 50/50 and average 73/28. Local observation indicates that a 70% loan at 5.00% interest for 15 years would be available for the subject. The mortgage constant for such a loan is .0949. These terms generate the following overall capitalization rate:

Mortgage Amount	x	Constant	=	.70	x	.0949	=	.0664
Equity	x	Equity Dividend	=	.30	x	.0900	=	<u>.0270</u>
Indicated Capitalization Rate								<u>.0934</u>

Overall Capitalization Rate 9.00% to 9.50%

These rates are applied to the NOI estimate to produce a value conclusion:



Income Capitalization Approach, continued

<u>Net Income</u>	÷	<u>OAR</u>	=	<u>Indicated Value</u>
\$36,389	÷	.0950	=	\$383,042
\$36,389	÷	.0900	=	\$404,322

Value by Income Capitalization Approach **\$385,000**

(under the Hypothetical Condition that, as of the inspection date, August 9, 2019, the subject property had no roof or interior damage)

## SALES COMPARISON APPROACH

### SALES COMPARISON APPROACH

The sales comparison approach compares the subject property to sold properties with similar characteristics. Significant differences are reconciled to the subject by percentage adjustments applied to a common unit of comparison. The adjustment amounts are subjective but are based on the appraiser's knowledge and experience and are derived from the observation of market actions. The adjusted sale prices of the comparables produce a range that brackets the subject and indicates likely market response to its characteristics and appeal. From this adjusted price range, the appraiser concludes a value estimate for the subject.

The adjustment process requires the designation of a common unit of comparison so that property differences can be reconciled on an equal footing. Sale price per square foot of the gross building area is employed as the common unit of comparison in the grids below.

Sales Comparison Approach, continued

Adjustments are applied in a two-step process: 1. Transactional adjustments are applied sequentially, based on the following order.

Transactional Elements

- Real property rights conveyed
- Financing terms
- Conditions of sale
- Expenditures immediately after sale
- Market conditions

2. After transactional adjustments are applied, the unit prices of the sales are adjusted for property elements in the following categories. Property element adjustments are applied cumulatively and in any order.

Property Elements

- Location
- Physical characteristics
- Economic characteristics
- Use
- Non-realty components of value

After reviewing the sales database for Amarillo's office market, the appraiser has identified the following five sales as most comparable to the subject.

## Improved Sale No. 1



### Property Identification

<b>Record ID</b>	2108
<b>Property Type</b>	Office
<b>Property Name</b>	Office Building
<b>Address</b>	5625 Fulton, Amarillo, Randall County, Texas
<b>Location</b>	SEC of Fulton St & Bell St in SW Amarillo
<b>Tax ID</b>	R-065-2300-2735.0
<b>Legal</b>	Lots 7 thru 9 plus the W 13.5' of Lot 10, Block 50, Ridgecrest Unit #28 Amended, City of Amarillo, Randall County, Texas

### Sale Data

<b>Grantor</b>	Duncan, Fraser, & Bridges Property Holdings, LLC
<b>Grantee</b>	Panhandle Plains Land Bank, FLCA
<b>Sale Date</b>	November 21, 2014
<b>Deed Book/Page</b>	2014/19044
<b>Conditions of Sale</b>	Cash to Seller

<b>Sale Price</b>	\$950,000
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### Land Data

<b>Land Size</b>	0.816 Acres or 35,554 SF
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### General Physical Data

<b>Building Type</b>	Single Tenant
<b>Gross SF</b>	11,500

### **Improved Sale No. 1 (Cont.)**

<b>Construction Type</b>	Frame/Stucco
<b>Roof Type</b>	Comp
<b>Stories</b>	1
<b>Year Built</b>	1978
<b>Condition</b>	Average

#### **Indicators**

<b>Sale Price/Gross SF</b>	\$82.61
<b>Floor Area Ratio</b>	0.32

#### **Remarks**

Average quality suburban office building in a prominent residential location. Occupied and in average condition at the time of sale, subsequently remodeled by new owner.

## Improved Sale No. 2



### Property Identification

<b>Record ID</b>	2202
<b>Property Type</b>	Office Building
<b>Property Name</b>	Office Building
<b>Address</b>	4104 SW 33rd Avenue, Amarillo, Randall County, Texas
<b>Tax ID</b>	R-044-5000-1610.0
<b>Legal</b>	S 100' of Tract 7, Lot B, Block 3, Lawrence Place Replat

### Sale Data

<b>Grantor</b>	Lilianna Wilson
<b>Grantee</b>	Taco G. Inc.
<b>Sale Date</b>	June 26, 2015
<b>Deed Book/Page</b>	2015/10851
<b>Conditions of Sale</b>	Cash to Seller

<b>Sale Price</b>	\$295,000
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### Land Data

<b>Land Size</b>	0.275 Acres or 12,000 SF
<b>Zoning</b>	LC, Light Commercial

### General Physical Data

<b>Building Type</b>	Single Tenant
<b>Gross SF</b>	4,000

<b>Year Built</b>	1965
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### **Improved Sale No. 2 (Cont.)**

**Condition**                      Average

**Indicators**

**Sale Price/Gross SF**              \$73.75

**Floor Area Ratio**                0.33

**Remarks**

Sale verified by Gabe Irving and Arra Coleman.



### Improved Sale No. 3



#### Property Identification

**Record ID** 2184  
**Property Type** Office Building  
**Property Name** Office Building  
**Address** 3000 SW 27th, Amarillo, Potter County, Texas  
**Legal** Irreg 70 ft Beg in SE cor of Lot 1, Block 26, Lawrence Park #5, City of Amarillo, Potter County, Texas

#### Sale Data

**Grantor** Hrycyk Financial, LLC  
**Grantee** Gallaway Real Estate  
**Sale Date** October 07, 2015  
**Deed Book/Page** 12/81895  
**Conditions of Sale** Cash to Seller

**Sale Price** \$135,000

#### Land Data

**Land Size** 0.245 Acres or 10,672 SF  
**Zoning** GR

#### General Physical Data

**Building Type** Single Tenant  
**Gross SF** 2,085

**Year Built** 1966  
**Condition** Average

**Improved Sale No. 3 (Cont.)**

**Indicators**

<b>Sale Price/Gross SF</b>	\$64.75
<b>Floor Area Ratio</b>	0.20

**Remarks**

Verified by Broker - A. Emerson.

### Improved Sale No. 4



#### **Property Identification**

<b>Record ID</b>	2351
<b>Property Type</b>	Office
<b>Property Name</b>	Office Building
<b>Address</b>	5701 I-40 West, Amarillo, Potter County, Texas
<b>Tax ID</b>	R-061-1200-8861.0
<b>Legal</b>	All of Lot 4A& 122.95' W x 144.7' N beginning in the SEC of Lot 3B of Unit# 57, Block 106, Olsen Park #56, City of Amarillo, Potter County, Texas

#### **Sale Data**

<b>Grantor</b>	AGTEXAS FLCA
<b>Grantee</b>	5W Family Ltd
<b>Sale Date</b>	April 04, 2016
<b>Deed Book/Page</b>	12/90764
<b>Conditions of Sale</b>	Cash to Seller

<b>Sale Price</b>	\$925,000
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#### **Land Data**

<b>Land Size</b>	0.870 Acres or 37,904 SF
<b>Zoning</b>	GR, General Retail

### **Improved Sale No. 4 (Cont.)**

#### **General Physical Data**

<b>Building Name</b>	former Great Plains Ag
<b>Building Type</b>	Single Tenant
<b>Gross SF</b>	7,971
<b>Construction Type</b>	Stucco
<b>Roof Type</b>	Built-up; Metal
<b>Year Built</b>	1987
<b>Condition</b>	Good

#### **Indicators**

<b>Sale Price/Gross SF</b>	\$116.05
<b>Floor Area Ratio</b>	0.21
<b>Land to Building Ratio</b>	4.76:1

#### **Remarks**

Former Great Plains Ag Credit office. Purchased for new location of Amarillo Spine & Rehab Center. Property included a 900 SF finished basement. Verified by agent - Bo Wulfman. \$798,000 spent to remodel, total adjusted cost \$1,723,000, or \$216/SF.

## Improved Sale No. 5



### Property Identification

**Record ID** 2827  
**Property Type** Office  
**Property Name** Office Building  
**Address** 901 S. Buchanan , Amarillo, Potter County, Texas  
**Tax ID** R-065-1000-1720-0  
**Legal** Lot 10, Block 116, Plemons, City of Amarillo, Potter County, Texas

### Sale Data

**Grantor** Double-Double Properties, LLC c/o Stephen T. Hoyl  
**Grantee** Furman Family Partnership, LLP  
**Sale Date** August 30, 2018  
**Deed Book/Page** 18/11931  
**Conditions of Sale** Cash to Seller

**Sale Price** \$325,000

### Land Data

**Land Size** 0.193 Acres or 8,407 SF  
**Zoning** CB, Central Business District

### General Physical Data

**Building Type** Single Tenant  
**Gross SF** 4,020

**Year Built** 1966  
**Condition** Average

### **Improved Sale No. 5 (Cont.)**

#### **Indicators**

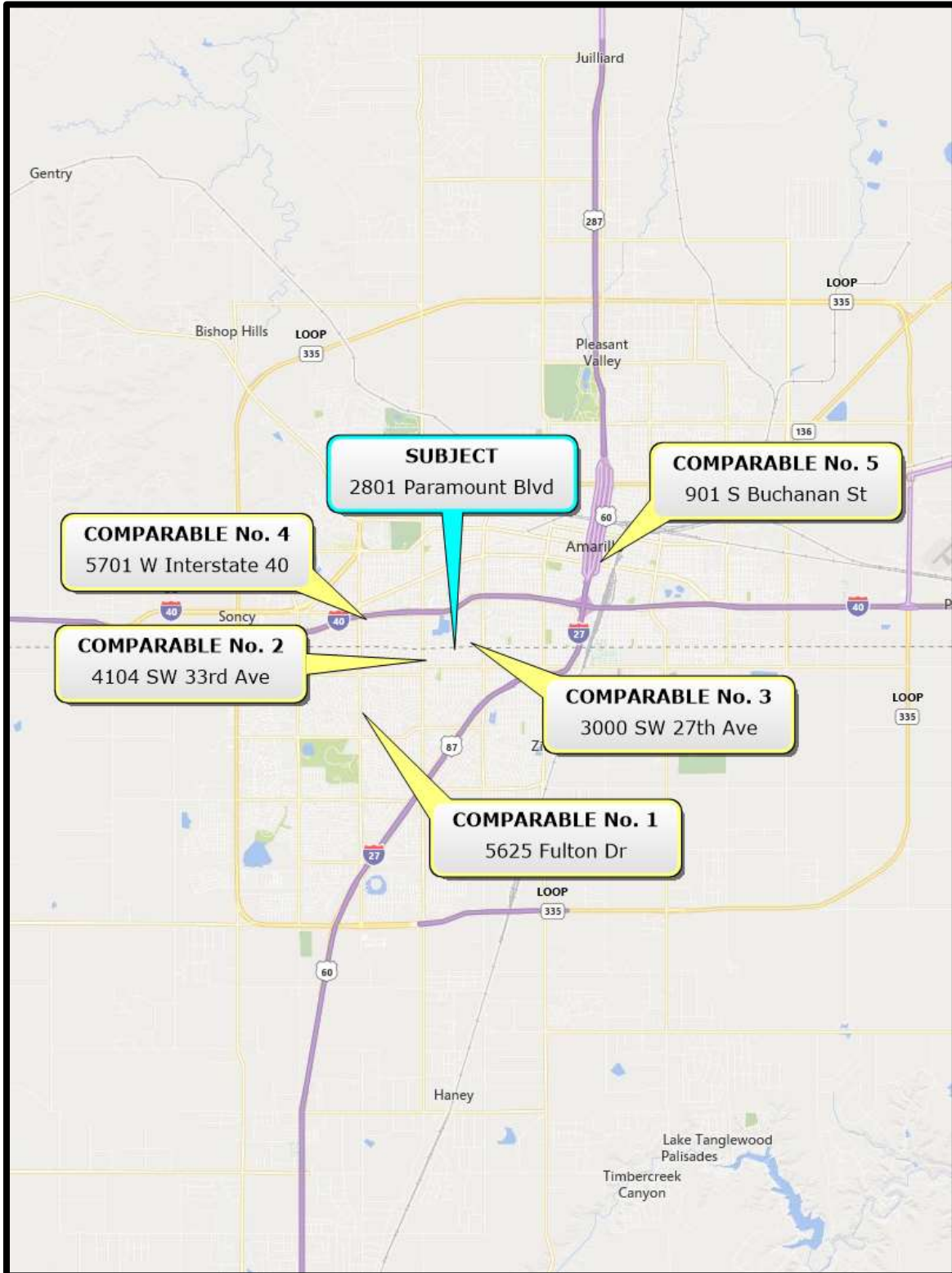
**Sale Price/Gross SF**            \$80.85

**Floor Area Ratio**            0.48

**Land to Building Ratio**    2.09:1

#### **Remarks**

Confirmed by buyer. Building was purchased for a renovation into a restaurant property.



## COMPARABLE SALES MAP

Sales Comparison Approach, continued**SALES SUMMARY**

<i>Sale</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
<i>Date of Sale</i>	<i>11/2014</i>	<i>06/2015</i>	<i>10/2015</i>	<i>04/2016</i>	<i>08/2018</i>
<i>Address</i>	<i>5625 Fulton</i>	<i>4104 SW 33<sup>rd</sup></i>	<i>3000 SW 27<sup>th</sup></i>	<i>5701 I-40</i>	<i>901 S. Buchanan</i>
<i>Financing</i>	<i>Cash to Seller</i>	<i>Cash to Seller</i>	<i>Cash to Seller</i>	<i>Cash to Seller</i>	<i>Cash to Seller</i>
<i>Sale Price</i>	<i>\$950,000</i>	<i>\$295,000</i>	<i>\$135,000</i>	<i>\$925,000</i>	<i>\$325,000</i>
<i>Year Built</i>	<i>1978</i>	<i>1965</i>	<i>1966</i>	<i>1987</i>	<i>1966</i>
<i>Property Use</i>	<i>Office</i>	<i>Office</i>	<i>Office</i>	<i>Office</i>	<i>Office</i>
<i>Quality/Condition</i>	<i>Average</i>	<i>Average</i>	<i>Average</i>	<i>Good</i>	<i>Average</i>
<i>Size/SF GBA</i>	<i>11,500 SF</i>	<i>4,000 SF</i>	<i>2,085 SF</i>	<i>7,971 SF</i>	<i>4,020 SF</i>
<i>Sale Price/SF</i>	<i>\$82.61</i>	<i>\$73.75</i>	<i>\$64.75</i>	<i>\$116.05</i>	<i>\$80.85</i>

**SALES ADJUSTMENT GRID**

<i>Sale</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
<i>Sale Price/SF GBA</i>	<i>\$82.61</i>	<i>\$73.75</i>	<i>\$64.75</i>	<i>\$116.05</i>	<i>\$80.85</i>
<i>Transactional Adj. Price/SF GBA</i>	<i>\$82.61</i>	<i>\$73.75</i>	<i>\$64.75</i>	<i>\$116.05</i>	<i>\$80.85</i>
<i>Size/SF GBA</i>	<i>+5%</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Age</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Location</i>	<i>-5%</i>	<i>0</i>	<i>0</i>	<i>-20%</i>	<i>-10%</i>
<i>Property Use</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Quality/Condition</i>	<i>0</i>	<i>0</i>	<i>+10%</i>	<i>-10%</i>	<i>0</i>
<i>Net Adjustment</i>	<i>0</i>	<i>0</i>	<i>+10%</i>	<i>-30%</i>	<i>-10%</i>
<i>Adj. Price/SF GBA</i>	<i>\$82.61</i>	<i>\$73.75</i>	<i>\$71.23</i>	<i>\$81.20</i>	<i>\$72.77</i>



Sales Comparison Approach, continued

Transactional Adjustments

Analysis of the market environment of the subject and the comparable sales indicates that no transactional elements deviate from current market norms to a degree that requires adjustments.

Property Adjustments

**Size/SF GBA:** Sales 2, 3, 4 and 5 are similar in size to the subject property, and no adjustments are required. Sale 1 is larger than the subject. It is adjusted upwards downward based on the general economic principle that less of anything tends to sell at a higher unit price than a lower unit price.

**Age:** A property with newer improvements usually commands a higher price than an older property. This reflects buyer response to factors such as design and "incurable" physical depreciation. All five comparable sales are considered similar in age. No adjustments are indicated.

**Location:** Sale 1 is located in a prominent location. A slight downward adjustment is indicated for the superior location. Sale 4 is located along Interstate 40. A downward adjustment is indicated

Sales Comparison Approach, continued

for its superior location. Sale 5 is located in the Central Business District near various redevelopment efforts. Its location is also considered superior, and a downward adjustment is indicated. The remaining sales are similar in location to the subject property, and no adjustments are indicated.

**Property Use:** The subject property was formerly occupied as an office building. The five comparable were all office properties at the time of sale. Therefore, no adjustment for use is indicated.

**Quality/Condition:** The "before value" of the subject property is considered to be in average condition. Sales 1, 2, and 5 are similar and no adjustments are indicated. Sale 3 was considered inferior at the time of sale to the subject property. An upward adjustment is indicated. Sale 4 is considered superior to the subject property. A downward adjustment is indicated.

Summary and Conclusion

After adjustments are applied for both physical and property use differences, the adjusted range runs from \$71.23/SF to \$82.61/SF. The upper portion of the range is judged to be the most credible

Sales Comparison Approach, continued

value indicator. The value estimate is based on the property's gross building area.

$$4,480 \text{ SF} \quad \times \quad \$80.00/\text{SF} \quad = \quad \$358,400$$

$$4,480 \text{ SF} \quad \times \quad \$82.00/\text{SF} \quad = \quad \$367,360$$

Value by Sales Comparison Approach **\$365,000**

(under the Hypothetical Condition that, as of the inspection date, August 9, 2019, the subject property had no roof or interior damage)

## CORRELATION AND CONCLUSIONS

Analysis of the value approaches developed weighs their relative merits in an overall view of the property and concludes a final market value opinion. The value indications of the two approaches developed are:

Income Capitalization Approach ----- \$385,000

(under the Hypothetical Condition that, as of the inspection date, August 9, 2019, the subject property had no roof or interior damage)

Sales Comparison Approach ----- \$365,000

(under the Hypothetical Condition that, as of the inspection date, August 9, 2019, the subject property had no roof or interior damage)

### Correlation

The weight of each approach on the final market value opinion is discussed below.

The income capitalization approach reflects the demands of investors in the current market. The subject property was previously owner-occupied and is not vacant. No operating records were available. Market information was employed for an income/expense model to

Correlation and Conclusions, continued

project a net operating income estimate. The direct income capitalization method converted this NOI into a whole-dollar value estimate, relying on an overall capitalization rate generated by the band of investment technique. The value conclusion is a credible reflection of current investor response to a property such as the subject and is considered supportive of the final market value opinion, but is not the most credible indicator.

The sales comparison approach analyzes properties like the subject that have been sold in "arms-length" transactions, reconciling each property to the subject where significant differences occur. The best available sales involved a general-purpose office and medical offices. The sales data is limited, but the value estimate produced by the sales comparison approach is a credible reflection of current market activity for a property like the subject, and is regarded as the most credible value indicator.

Conclusion

A market value opinion is concluded for the subject property, as of **August 9, 2019**, to be:

Correlation and Conclusions, continued

**\$365,000**

**THREE HUNDRED AND SIXTY FIVE THOUSAND DOLLARS**

(under the Hypothetical Condition that, as of the inspection date, August 9, 2019, the subject property had no roof damage)

Exposure Time

Exposure time is "the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market." (*USPAP, 2018-2019*, Appraisal Foundation, page 4).

Based upon the comparable sales used in this appraisal, the estimated exposure time to necessary to achieve pricing generally aligned with the market value opinion would have been 12 months or less.

MARKET VALUE – AFTER DAMAGE – “AS IS”

The “before” market value of the subject property has been estimated, as of August 9, 2019. The next step in the appraisal process is estimating the market value after the weather events and subsequent damage.

Hail damage would fall into the category of physical deterioration as defined in “The Appraisal of Real Estate”, 13th Edition, as follows:

“Physical deterioration - wear and tear from regular use, the impact of the elements, or damage.”

Hail damage would fall into the category of “impact of the elements”.

Curable physical deterioration is defined in “The Dictionary of Real Estate Appraisal”, 5th Edition, as follows:

Curable physical deterioration. A form of physical deterioration that can be practically and economically corrected as of the date of appraisal.

Market Value - After Damage - "As Is", continued

Repair of hail damage would be considered "curable" because of the following factors:

- If offered to the market all damage must be disclosed
- Disclosure of the damage would lead to repair cost estimates

This disclosure would then produce the following market influences:

- Disclosure of the damage would reduce the availability of property insurance
- The lack of property insurance would eliminate third party purchase money financing
- The lack of third party financing would reduce the number of buyers to a very small number of cash buyers
- The remaining cash buyers would demand a heavy discount for both property condition and lack of marketability

In the case of the subject property, a partial estimate of damage repair costs has been made available. Roof repair estimates are produced in estimate form. Interior repairs are based on comparable repair data from a similar project. These costs are considered reliable and relied upon in this analysis.



Market Value - After Damage - "As Is", continued

The appraiser was provided, and relied upon, the following professional repair cost estimates. Copies of the estimates are made a part of the addendum to this report.

Roof Repair

Bid Estimate  
Nick Robbins  
Texas Plains Cos  
11805 Interstate 27 Suite 300  
Amarillo, Texas 79119  
Bid dated May 24, 2019

Roof Damage Study  
Donan Engineering Co.  
12450 Lake State Place  
Louisville, Kentucky 40299  
Report dated March 3, 2019

Additional market support for this methodology comes in the form of actual sales transactions.

Sale 1      5211 SW 9<sup>th</sup> Avenue  
              Amarillo, Texas  
              Date - March 2, 2016  
              Price - \$637,000  
              Price/SF - \$35.65/SF  
              Roof Repair - \$260,000

Market Value - After Damage - "As Is", continued

Medical office building purchased for owner-occupancy. Buyer of the property indicated that the roof was in poor condition and insurance coverage was not available. Roof repair costs, by bid, were \$260,000. The purchase price was reduced by \$260,000 and closed at \$637,000. Details of the transaction were confirmed by the buyer.

Sale 2      4000 Mockingbird  
              Amarillo, Texas  
              Date - July 25, 2013  
              Price - \$600,000  
              Price/SF - \$13.48/SF  
              Roof Repair - \$200,000

Office/warehouse building purchased for owner occupancy. Sale occurred shortly after a May 2013 weather event. Seller retained \$200,000 hail insurance damage payment and reduced sales price by that amount. Buyer repaired roof, along with other renovations for owner-occupancy. Details of the transaction were confirmed by the real estate broker in the sale.

Market Value - After Damage - "As Is", continued

Sale 3      Helm Plaza II  
              1104 S. Fillmore  
              Amarillo, Texas  
              Date - December 17, 2013  
              Price - \$2,250,000  
              Price/SF - \$64.78/SF  
              Roof Repair - \$39,000

Multi-tenant office building under contract for \$2,250,000 at the time of May 2013 weather event. Contract extended for 13 time periods while roof damage and repair costs established. After establishing the \$39,000 repair costs, the buyer negotiated for the seller to complete the repairs prior to closing. The alternative offered to the seller was to offset the sales price by the full \$39,000. Details of this transaction were confirmed by the real estate broker in the sale.

These three transactions support the overall conclusion that roof repairs needed reduce the sales prices in the total amount of the needed repairs.

In addition to the required roof repairs, the subject property will require significant interior repairs. Repairs to the interior sheetrock and flooring will be required for occupancy due to water damage and the evidence of mold. The photos of the interior are

Market Value - After Damage - "As Is", continued

included in this report and detail the damage to the subject property.

A comparable repair project produced a "cost to cure" of \$32.69/Sf.

This has been applied to the subject as follows:

$$4,480 \text{ square feet} \quad \times \quad \$32.69/\text{SF} = \quad \$146,435$$

Thus:

Total Repair Costs	
Roof -	\$72,810
Interior -	<u>\$146,435</u>
	\$219,245

Therefore, market value reductions for the subject property can be estimated as follows:

This market value estimate assumes an "insurable" roof. The appraiser has been provided repair cost estimates for roof repair. An additional allowance for entrepreneurial profit of 15% has been applied to the repair cost estimate as follows:

Market Value - After Damage - "As Is", continued

Value Before Damage		\$ 365,000
Less: Cost to Cure - Roof Repair	(\$ 72,810)	
Cost to Cure - Interior	(\$ 146,435)	
Total		<u>(\$ 219,245)</u>
		\$ 145,755
"As Is" Value - After Damage		<b>\$ 145,000</b>

CERTIFICATE

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no (or the specified) present or prospective interest in the property that is the subject of this report, and I have no (or the specified) personal interest to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation 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.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.
- I certify that, to the best of my knowledge and belief, the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics &

Certificate, continued

Standards of Professional Appraisal Practice of the Appraisal Institute.

- I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I have completed the requirements under the continuing education program of the Appraisal Institute.
- This represents an appraisal report. Per the client's request, some elements of documentation are retained in the appraiser's files.

I have not provided an appraisal report for the subject property an appraiser or in any other capacity, within the three years immediately preceding acceptance of this appraisal assignment.

Megan Zanchettin, has participated in the preparation, analyses, conclusions, and opinions concerning real estate that are set forth in this appraisal, and personally inspected the subject property.

Based upon my investigation and my experience, I conclude that the **Market Value** of the subject property, under the assumptions and limiting conditions as stated, as of **August 9, 2019**, is:

**\$145,000**

**One Hundred and Forty Five Thousand Dollars**



Megan Zanchettin  
Texas Certified  
General Appraiser  
TX-1380738-G



Steve Rogers, MAI, CCIM  
Texas Certified  
General Appraiser  
TX-1320765-G

## QUALIFICATIONS



## QUALIFICATIONS

STEVEN ROGERS, MAI, CCIM

### GENERAL

Consultant to The Steve Rogers Company, Appraisal and Counseling in Real Estate, located at:

9220 FM 2590 (Soncy Road)  
Amarillo, Texas

### PROFESSIONAL EXPERIENCE

Over three years appraisal experience with Smith Real Estate Associates, Inc., in Waco, Texas. Duties include real property appraising of residential, commercial, industrial, and development properties. Have also testified as an expert witness in McLennan County Court, Waco, Texas.

Over two years appraisal experience with Toland, McClellan, Massey, Inc. and McClellan, Massey, Mashburn, Inc., in Dallas, Texas. Duties include real property appraising of commercial and industrial properties as well as appraising for eminent domain proceedings.

Over thirty years of appraisal experience with Steve Rogers Company in Amarillo, Texas. Experience includes real property appraising of residential, commercial, and industrial properties. Have also testified as expert witness in various Texas Panhandle courts.

Over seven years' experience in commercial real estate brokerage with J. Gaut and Associates, Amarillo, Texas. Closed in excess of \$45,000,000 in real estate transactions during the time period from 2003 - 2011.

Qualifications, continued

PROFESSIONAL AFFILIATIONS

American Institute of Real Estate Appraisers, Texas Plains Chapter  
MAI Designation, certificate #6342

Certified Commercial Investment Member, CCIM Institute,  
Member #13409

Real Estate Broker - Texas Real Estate Commission

Certified Texas General Real Estate Appraiser -  
Certificate #TX-1320765-G

Certified New Mexico General Real Estate Appraiser -  
Certificate #03403-G

EDUCATIONAL BACKGROUND

General: Bachelor of Science (B.S.), Texas Tech University,  
Lubbock, 1971

Specific: Several courses of the American Institute of Real  
Estate Appraisers, and cost estimating seminars in  
Dallas (1976 and 1977), presented by the Marshall  
and Stevens Publications Company, and Boeckh  
Valuation Service. Baylor University - Post  
Graduate Study in Real Estate. Completed CI 101,  
CI 102, CI 103, CI 104, and Comprehensive  
Examination, CCIM Institute, 2006.

Professional: Currently certified by both the Appraisal Institute  
and the Texas Real Estate Licensing Board. All  
education requirements are current.

Testimony: Over 35 years' experience in litigation support.  
Recent testimony includes appearances before US  
Bankruptcy Court, Potter and Randall County  
District Courts and Courts of Law. Over 70  
appearances before special commissioners in right-  
of-way hearings during 2011-2013. Over 50  
depositions given during the past 25 years.



## QUALIFICATIONS

MEGAN A. ZANCHETTIN

### GENERAL

Employed with Travis Loe and Associates, Inc. dba The Steve Rogers Company, Appraisal and Counseling in Real Estate, since September 2014, located at:

9220 FM 2590 (Soncy Road)  
Amarillo, Texas 79119  
Phone: (806)358-7611  
Email: [megan@steverogersco.com](mailto:megan@steverogersco.com)

### PROFESSIONAL AFFILIATIONS

Licensed by the Texas Appraiser Licensing and Certification Board as a Certified General Real Estate Appraiser #TX 1380738 G  
Certificate Expires 09/30/2019

Licensed by the Texas Real Estate Commission as an Individual Real Estate Broker #595618

Candidate for Designation, Appraisal Institute, October 2017-Present

### EDUCATIONAL BACKGROUND

#### General:

Bachelor of Business Administration (B.B.A.), Finance,  
Texas A & M University, 2008  
Master of Real Estate  
Texas A & M University, 2010

#### Specific:

Basic Appraisal Principles, 2014  
Basic Appraisal Procedures, 2014  
National USPAP, 15-Hour, 2014  
General Appraiser Market Analysis & HBU, 2015  
7-Hour National USPAP Update Course 2016-2017, 2016  
General Appraiser Site Valuation and Cost Approach, 2017  
Business Practices and Ethics, 2017

**Texas Appraiser Licensing and Certification Board**

P.O. Box 12188 Austin, Texas 78711-2188

**Certified General Real Estate Appraiser**

Number: **TX 1380738 G**  
Issued: **09/26/2017** Expires: **09/30/2019**  
Appraiser: **MEGAN AARON ZANCHETTIN**

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

  
Douglas E. Oldmixon  
Commissioner

## ADDENDUM



**DONAN®**

*PREPARED FOR:*

MR. DREW SAWATZKY  
ALLSTATE INSURANCE COMPANY  
8711 FREEPORT PARKWAY, MISSISSIPPI 14  
IRVING, TEXAS 75063

**J. B. LEDFORD, PC**  
2801 PARAMOUNT BOULEVARD  
AMARILLO, TEXAS 79109  
**CLAIM NUMBER: 3733564888**  
DONAN PROJECT NUMBER: 40-19020027-0

*PREPARED BY:*

**DONAN ENGINEERING Co., INC.**  
12450 LAKE STATION PLACE  
LOUISVILLE, KENTUCKY 40299  
800-482-5611  
**TEXAS FIRM REGISTRATION: F-12354**  
**EXPIRATION DATE: JUNE 30, 2019**

MARCH 3, 2019

**BRYAN CLINE, P.E.**  
**FORENSIC ENGINEER**  
**TEXAS P.E.: 130457**  
**EXPIRES: MARCH 31, 2019**

John G. Donan, Jr., P.E.  
Chairman of the Board

J. Lyle Donan, P.E.  
President, CEO



CORRESPOND TO:  
Donan Engineering Co., Inc.  
12450 Lake Station Place  
Louisville, Kentucky 40299  
800-482-5611  
502-267-6976 fax

March 3, 2019

Mr. Drew Sawatzky  
**Allstate Insurance Company**  
8711 Freeport Parkway, Mississippi 14  
Irving, Texas 75063

RE: **J. B. Ledford, PC**  
2801 Paramount Boulevard  
Amarillo, Texas 79109  
**Claim Number: 3733564888**  
Donan Project Number: 40-19020027-0

Dear Mr. Sawatzky:

At your request, on February 20, 2019, a study was made on the building at the above-referenced loss location address. The purpose of the study was to determine whether hail and/or wind have damaged the roof covering, confirm the storm date, determine the age of the roof, and whether previously required repairs were made. Mr. J.B. Ledford was not present for the inspection due his inability to be on site. Ms. Rachael Schrefter, a representative of Mr. Ledford, was present to point out areas of concern and to provide firsthand information. This letter, with the enclosed photographs and attached appendices, is the report of my findings and conclusions.

***Description of Property***

For purposes of this report, the building is considered to face west toward Paramount Boulevard (Photograph 1 through 4). The building is a single-story, concrete masonry unit (CMU) structure over a concrete slab-on-grade foundation. The exterior walls are clad with brick veneer, and the roof is covered with modified bitumen membrane material. According to Ms. Schrefter, the building was built in 1975, and Mr. Ledford has owned it for 14 years.



FORENSIC  
ENGINEERING



FIRE  
INVESTIGATION



COMPONENT  
TESTING



LITIGATION  
SUPPORT



UAV  
SERVICES



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### ***Background***

Representatives of J.B. Ledford reported leaking of the roof on November 11, 2018, as a result of a rain-producing storm that passed through the Amarillo, Texas, area. Ms. Schefter stated that the roof was leaking after a rain event.

### ***Observations***

The metal downspouts and scupper of the building have approximately 1-inch-wide dents (Photograph 5). The electrical panel on the south-side of the building has approximately 1/4-inch-wide splash marks (Photograph 6). The metal door on the south-side of the building has a rusted, approximately 3/4-inch-wide dent and an approximately 1/4-inch-wide splash mark (Photographs 7 and 8). The metal fascia on the west, north, and east-sides of the building has approximately 1-inch-wide and smaller dents (Photograph 9). The south-facing, wooden fences have approximately 1/4-inch-wide clean marks (Photograph 10).

No downed limbs or trees are on the subject property or the adjacent property. No broken windows or debris strikes are on the exterior envelope of the building. The wooden fences are not displaced.

The soft copper, top-cap flashing on the parapet walls flashing has approximately 1-inch-wide and smaller dents over the entire surface of the top cap (Photographs 11 and 12). The copper-paneled, faux parapet-walls on the west, north, and east sides of the building have approximately 1-inch-wide and smaller dents over the entire surface of each panel (Photographs 13 through 15). The southeast, powered-blower has approximately 1 1/2-inch-wide dents with corrosion (Photographs 16 and 17). The tops of the metal flues have approximately 1-inch-wide dents (Photograph 18).

The exposed cooling fins of the roof-mounted heating, ventilation, and air conditioning (HVAC) units have approximately 1-inch-wide and smaller dents (Photographs 19 and 20). The middle HVAC unit has is a 1997 Carrier unit and has approximately 1/4-inch-wide splash-marks (Photographs 21 and 22). The southwest, HVAC unit is a 1996 Carrier unit and has approximately 3/4-inch-wide splash-marks (Photographs 23 and 24). The northeast, HVAC unit is a 2010 York unit and has approximately 1/2-inch-wide splash-marks (Photographs 25 and 26).

The tops of the south and east parapet-walls are covered with a metal top-cap flashing and mastic (Photograph 27). The parapet-wall mastic covering the

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top-cap flashing has approximately 1-inch-wide circular blemishes with exposed, non-fractured fiberglass mat (Photograph 28). The vertical sides of the east and south parapet wall transitions are covered this mastic and have irregular-shaped blemishes with non-fractured fiberglass mat (Photographs 29 and 30). The tops of the parapet-walls have numerous, linear blemishes with large areas of missing mastic and fractured fiberglass which is weathered, deteriorated, and exposed (Photograph 31). The field of the modified bitumen membrane roof is painted with an elastomeric paint from the east and south parapet-walls to the inside of the copper-paneled, faux parapet-walls (Photograph 32). The north and west modified bitumen roof outside of the copper-paneled, faux parapet-walls is not painted (Photograph 33). The paint-covered modified bitumen membrane has irregular-spaced, circular paint-chips up to 1 inch wide and without bruises and/or fractures (Photograph 34). The non-painted, modified bitumen membrane has irregular-spaced, circular and semicircular blemishes with missing felt-paper matting throughout and without fiberglass fractures (Photographs 35 and 36). These blemishes without fractures throughout the non-painted roof. The non-painted modified bitumen membrane is missing all the granules and surface mastic (Photograph 37).

No windborne debris impacts are on the slope of the roof, the parapet-walls, nor the faux-copper parapet-walls. The roof-mounted HVAC units and flues are not displaced. The copper-paneled, faux parapet-walls frames, which are attached to the surface of the modified bitumen membrane roof, are not displaced (Photograph 38).

The paint-covered modified bitumen membrane has large patches of dark stains with dirt on north and the middle of the roof (Photographs 39 and 40). The paint-covered modified bitumen membrane has patches to the membrane (Photograph 41). The paint-covered modified bitumen membrane at patches of dark stains is delaminating and the mastic is missing with limited granules remaining in place (Photographs 42 and 43). The copper-paneled, faux parapet-walls frames, which are attached to the surface of the modified bitumen membrane roof, have previous mastic repairs. The roof has previous mastic repairs at the edges of the roof, at the parapet walls' top and sides, at the elastomeric paint surface, and at the attachment points to the roof for the faux, parapet walls.

The ceiling tiles throughout the building have multiple-rings of staining, with varying shades to the stains (Photograph 44 and 45). The batt-insulation above the drop-ceiling is stained black (Photograph 46). The reinforced, concrete

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roof decking is exposed and missing above the interior, drop-ceiling (Photograph 47).

### ***Weather Data***

Historical weather data for the Amarillo, Potter, and Randall Counties, Texas, area were reviewed for November 1, 2017, to November 11, 2018, using the National Oceanic and Atmospheric Administration's (NOAA) Storm Event Database (SED). The SED reports significant weather phenomena having sufficient intensity to cause loss of life, injuries, significant property damage, and/or disruption to commerce.<sup>1</sup> Hail events of 1 inch and larger hail stones and wind speeds of 50 knots were utilized for this evaluation. A hail event was reported on June 12, 2018, at 11:18 p.m. Central Standard Time (CST), approximately 0.3 mile to the southwest of the subject site with 1-inch-diameter hail stones.<sup>2</sup> No other hail events with larger than 1 inch in diameter hailstones were reported with a 1 mile radius of the subject site during this time period.

A wind event was reported on November 16, 2015, at 6:48 p.m. CST, with wind gusts of 52 knots (60 mph) approximately 1.1 miles to the west/southwest of the subject building.<sup>3</sup> See Figure 1 for the hail and wind events in the proximity to the subject house.

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<sup>1</sup> <http://www.ncdc.noaa.gov/stormevents/>

<sup>2</sup> <https://www.ncdc.noaa.gov/stormevents/eventdetails.jsp?id=762309>

<sup>3</sup> <https://www.ncdc.noaa.gov/stormevents/eventdetails.jsp?id=773949>

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**Figure 1: Hail and Wind Events Adjacent to Subject Property from June 1, 2013, to December 11, 2018<sup>4</sup>**

The closest National Weather Service (NWS) recording station is at the Amarillo, Texas, approximately 3.7 miles to the northwest of the subject property. For November 16, 2015, the maximum wind speed and three-second gust-wind speed were 38 and 51 mph, respectively. The winds were reported out of the west/southwest.<sup>5</sup>

A CoreLogic Hail Verification Report was obtained for this property and is attached to this report as Appendix A. The CoreLogic report shows results from a proprietary hail verification model that combines proprietary hail size algorithms, weather data, and 3-D storm models to determine the potential hail for a given subject site. Hail models identify hail stones above a subject site at a certain time, but these reports do not record if this hail actually fell at the subject site. The hail models identify only the potential for hail impacts. This report contains all events

<sup>4</sup> My Google Maps, Accessed February 22, 2019.

<sup>5</sup> NWS, *Observed Weather Reports*, <https://w2.weather.gov/climate/index.php?wfo=ama> (accessed February 28, 2019).

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that potentially produced 0.75-inch-diameter hailstones or larger within 10 miles of the subject site between January 1, 2009, and December 26, 2018. A review of the report indicated that no potential hail event was recorded on November 11, 2018, in the vicinity of the subject site.<sup>6</sup> Additionally, the hail study report listed no potential, hail events with 1-inch diameter or greater hailstones for June 2013 through December of 2018. Hailstones up to 1.6 inches in diameter potentially impacted this property on May 28, 2013. The hail report also indicates hailstones 1 inch in diameter or greater potentially fell on the site in 2010 and 2009. Thirteen instances of hail less than 1 inch diameter were reported at the property between 2009 and 2018.

### ***Research***

#### *Aerial Photography History of Roof*

The aerial photograph of the subject site on August 5, 2018, has a white surface on the subject roof with dark staining and the roof surface outside of the parapet walls is dark-gray (Figure 2). The first aerial photograph with a white colored roof is dated November 25, 2014.

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<sup>6</sup><http://www.ncdc.noaa.gov/stormevents/>.

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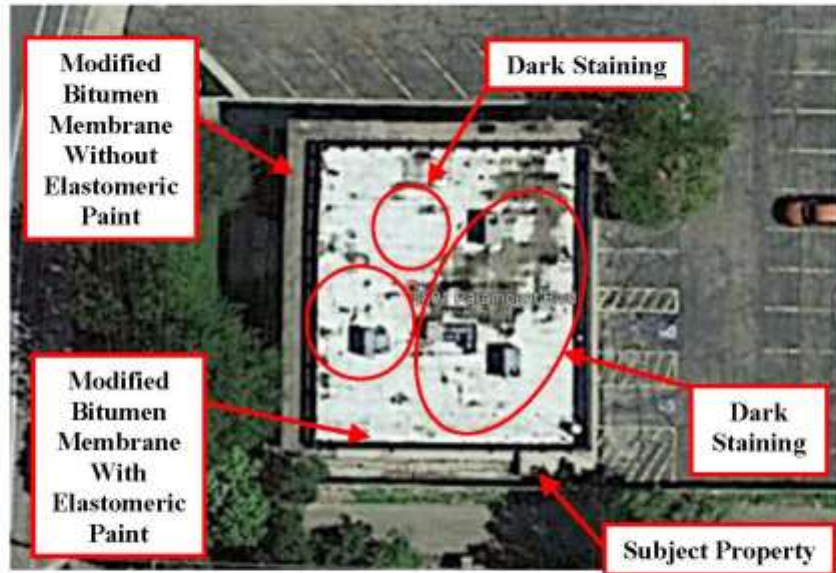


Figure 2: Aerial Photograph of the Subject Site on August 5, 2018<sup>7</sup>

The aerial photograph of the subject site on June 12, 2013, has a dark-gray surface on the subject roof and the roof surface outside of the parapet walls is also dark-gray (Figure 3).

<sup>7</sup> My Google Maps, Accessed February 24, 2019.

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Figure 3: Aerial Photograph of the Subject Site on June 12, 2013<sup>8</sup>

The earliest, aerial photograph of the subject site that is of high-quality is dated March 31, 2002 (Figure 4). The March 2002 image has a dark-gray surface on the subject roof and the roof surface outside of the parapet walls is also dark-gray.

<sup>8</sup> My Google Maps, Accessed February 24, 2019.

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Figure 4: Aerial Photograph of the Subject Site on March 31, 2002<sup>9</sup>

*Review of 2013 Cost Estimate for Roof Repairs*

A historical, cost-estimate for the repair of the subject modified bitumen roof was prepared after the roof was reportedly damaged by a hail event in 2013. Allstate paid Mr. Leadbetter total of \$131,505.27 for the replacement of the roof. The payment included installation of elastomeric paint as a temporary repair prior to installing a new modified bitumen membrane roof; removal and replacement of all the soft-metal structures to include the copper panels on the north and west sides of the roof; and removal and replace of 62.44 squares of modified bitumen membrane roofing. The cost estimate from Allstate Insurance Company dated February 2, 2017, is attached in Appendix B.

<sup>9</sup> My Google Maps, Accessed February 24, 2019.



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### *Key Concepts*

#### *Collateral Indicators of Hail Impact*

Collateral indicators of hail impact include, but are not limited to, exterior metal appurtenances; exterior wood surfaces; window wraps and screens; heating, ventilating, and air conditioning (HVAC) condenser fins; and metal roof appurtenances such as vents and various caps. Collateral indicators of hail impact are extremely important in any hail study, as they provide clear and tangible clues about the nature of the hailstorm, such as the size of hailstones, the direction from which the hailstones originated, and the density or number of hailstones that fell per unit area.

Many factors should be considered when estimating the size of hail that impacted a property, including the gauge (thickness) of the metal, the angle of impact, the speed of impact, and the hardness of the hailstone. However, laboratory tests allow us to predict the size of hail based on on-site collateral indicators.<sup>10</sup> In general, dents in light-gauge metals, such as the furnace vent caps, can be up to three times larger than the actual hailstone, whereas dents in heavier-gauge metals as small as half the size of the impacting hailstone.

#### *Hail Damage to Modified Bitumen Membrane*

Hail damage to modified bitumen roofing can be defined as a mark caused by hail that has measurably and significantly reduced the integrity or functionality of the overall roof, where the roof was sound prior to the hail impact. Hail damage is identified by indentations in the surface of the wear (top) granule layer associated with the roof system. In severe cases, the hail has completely broken the wear course. Regardless, if hail has caused structural fracture of an otherwise sound roof, the life of the roof has been reduced, thereby classifying the roof as "hail damaged."

Modified bitumen roofs are more resistant to hail damage than asphalt shingles. Studies have shown that a competent modified bitumen roof membrane can easily withstand impacts from hailstones up to 1 ½ inches in diameter.<sup>11</sup>

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<sup>10</sup> Crenshaw, Vickie and Koontz, Jim. "Hail: Sizing It Up!" [www.jdkoontz.com](http://www.jdkoontz.com)

<sup>11</sup> Roofing Industry Committee on Weather Issues, Hailstorm Investigation, Oklahoma City, Oklahoma, April 2004.

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Damage by hail to modified bitumen roof membranes is indicated by fractures or bruises in the surface of the roof membrane. Granules can be displaced by hail impact, exposing the underlying bitumen. In severe cases, the fiberglass or polyester reinforcement can be fractured. Fractures of the reinforcement mat are not often seen on the surface. If the roof membrane has blisters or ridges, these deficiencies are more vulnerable to damage. Unsupported flashings are also more prone to hail damage than supported flashings.

#### *Wind Damage to Modified Bitumen Membranes*

Wind damage to modified bitumen membranes is indicated by sections of the membrane that have been uplifted, fractured, blown off, or folded back. This kind of damage typically occurs to sections of the roof covering that were not properly sealed during installation and most commonly occurs along edges of the roof and along seams. The excessive membrane overhanging at the rake edge is particularly vulnerable to wind damage.

#### *Modified Bitumen Membrane Aging Discussion*

Granule-surfaced, modified bitumen membrane roofs typically do not age at a constant rate. During the initial curing phase of the life cycle, the modified bitumen membrane will begin to age quite rapidly. Significant loss of loose or inadequately embedded granules called "riders" may occur on the surface. With excessive heat (for example, with an inadequately ventilated attic space), small vapor blisters may develop, and the edges can begin to curl slightly. The initial weathering stage typically lasts about two or three years.

During the mid-life period of the modified bitumen membrane, the aging rate stabilizes. The rapid granule loss on new shingles will have slowed. After the bulk of the loose granules is gone, the well-embedded granules remain and are shed slowly as the roof ages. This is the long, durable stage of the shingle life. Unexpected deposits of granules may still be noticed in gutters and at downspouts after even a light hailstorm due to loose granules that constantly accumulate on the roof but are suddenly moved down the roof slope by the vibration caused by hailfall or heavy rain.

Over time, during the declining years, the asphalt loses its volatile components, causing it to slowly shrink and deteriorate. Eventually, even the lower levels of granule protection lose their "grip" and begin to spall off. As the fabric mat of the shingle cracks, the deterioration accelerates. The loss of granules

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exposes the fabric, and the modified bitumen membrane becomes very brittle and begins to decompose.

*Modified Bitumen Membrane Balding/Spot Defect*

“Balding” is a term commonly used to define a process of granule loss on a modified bitumen membranes. Granule loss is a naturally occurring process that becomes more noticeable as the modified bitumen membrane nears the end of their useful service life. Premature balding exposes the underlying asphalt mat to the harmful effects of the sun, thereby accelerating the aging process of the shingle itself. Premature balding can result from the improper application of granules or from a inadequately asphalt bitumen mixture that fails to retain the granules as intended. It is important to note that extremely localized balding can visibly mimic hail damage in many ways and may readily be mistaken for hail damage if other key pieces of evidence concerning hail impact are not considered.

*Inadvertent Man-Made Damage*

Human activities occasionally mar roof coverings and can easily be mistaken for hail damage. The modified bitumen membrane installers and other workers may drop or drag equipment or materials

Man-made membrane damage is easily created when the surface of modified bitumen roofing is hot from sunshine, at which time the membrane is very pliable and impressionable. Man-made damage is nearly impossible to avoid in its entirety; fortunately, many man-made blemishes do not threaten the integrity of the water-shedding surface.

*Water Stains on Ceilings and Wall Coverings*

Water stains on drywall ceilings and wall coverings have many causes, including water intrusions through the roof or walls, leaks in a plumbing supply or drain line, and condensation. The location, degree, and shape of the stains are good indicators of the source and duration of the event.

One indicator of the duration of a water loss is the color of the stain. As the drywall is exposed to moisture, the material slowly darkens in color. The longer it is exposed, the darker the stain becomes. Drywall will typically contain only a faint discoloration if it is exposed to a one-time event or over a short period of time.

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Another indicator of the duration is the presence of multiple-ring patterns in the stained area. When drywall is exposed to water, it will absorb the water up to a certain point. At the edge of the absorbed area, a ring/line will appear once the water dries out. If the drywall is exposed to a second event, either greater or lesser in quantity than the previous event, the absorption will be more or less respectively. This difference in absorption will cause another ring/line to appear in the drywall. These multiple rings/lines are indicators that the stains are not from a one-time event, but they have occurred over multiple events.

### *Conclusions*

Weather data indicate that a hail event was reported approximately 0.3 mile to the southwest of the subject site, on June 12, 2018, with 1-inch-wide hailstones. Due to the variation of hail-falls in an area, local collateral indicators provide the best evidence of hail events at a specific property. Based on the study of the collateral indicators, hail up to  $\frac{3}{4}$  inch in diameter fell at this site. The hailstones originated from the west. Controlled laboratory studies and field observations have shown that hail smaller than  $1\frac{1}{2}$  inches in diameter lacks sufficient mass to cause a loss in functionality or integrity to otherwise competent, modified bitumen membrane roofing.

The weather data also indicates that a wind event was reported approximately 1.1 miles to the west/southwest of the subject site, on November 16, 2015, with 60 mph winds. Due to the variation of wind speeds across an area, local collateral indicators provide the best evidence of wind events at a specific property. Modified bitumen membrane roofs are typically warranted to 70 mph wind velocities. The modified bitumen membrane is not ripped, torn, or displaced. The roof is not wind damaged.

The non-painted, modified bitumen membrane outside of the faux, parapet-walls is missing the preponderance of the granules on the roof and the mastic is volatilized and eroded away from the underlying mat and exposed fiberglass fibers. Age-related deterioration of the extent requires decades of exposure to the elements. Historical, aerial photographs indicate that this roof surface was present in 2002. Historical, aerial photographs dated 2014 present the roof with a white surface, indicative of the elastomeric-paint application. The hole through the reinforced-concrete decking is also indicative of long-term leakage and age of the roof. Due to the extremely deteriorated condition of the modified bitumen membrane roof and the extent of the historical repairs, it should be considered original to the building. Modified bitumen membrane roofs typically last for 20-years with

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minimal maintenance issues. Modified bitumen membrane roofs of this age and condition are not considered competent roof surfaces and are susceptible to bruising or fracture from otherwise non-damaging hailstone impacts. Blemishes of 1 inch and smaller on are on the subject roof, with fractures of the underlying, grossly deteriorated, fiberglass mat. Additionally, the membrane at these blemishes has eroded/volatilized mastic and no granules. This roof is not in a competent condition, is not capable of withstanding typical hail-events, and is therefore not damaged due to hailstone impacts.

Previous repairs and installation of the elastomeric paint on the roof indicate that the water leaks are historical and ongoing. The modified bitumen membrane roof is affected by pooling water, which causes the membrane fields and seams to deteriorate and to delaminate. Due to the membrane's continuous submergence in pooling water, it has balding, cracked, and open seams, and age-related deterioration.

The interior water stains in rooms of the subject building have multiple-ring patterns, with color varying from light to very dark in shade. The water stains in the subject building are not indicative of a one-time event but rather of an historical and ongoing water intrusion problem. Additionally, the erosion of the concrete decking is consistent with long-term water leaks.

A claim was made by Mr. Ledford in 2013 for hail damage to the subject roof. Payment was made for the temporary installation of elastomeric paint on the roof surface, removal and replacement of the modified bitumen membrane roof, removal and replacement of the soft metal structures, and removal and replacement of the copper panels at the north and west faux parapet walls with the associated frames. The elastomeric-paint was installed and is present on the existing roof within the parapet walls. The copper paneled, faux parapet-walls and the accompanying frames were not removed nor replaced. The copper on the roof is heavily dented, which is indicative of ongoing and repetitive hailstone impacts. The associated frame system for the faux, parapet walls is on the original roof. The repairs listed in the cost-estimate for the 2013 hail event were not made, with the exception of the partial roof paint application.

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March 3, 2019  
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*Summary of Conclusions*

In summary, based on what is known at this time, I am of the opinion that:

- Weather data indicate that a hail event was reported approximately 0.3 mile to the southwest of the subject site, on June 12, 2018, with 1-inch-wide hailstones.
- Based on the study of the collateral indicators, hail up to  $\frac{3}{4}$  inch in diameter fell at this site.
- The non-painted, modified bitumen membrane outside of the faux, parapet-walls is missing the preponderance of the granules on the roof and the mastic is volatized and eroded away from the underlying mat and exposed fiberglass fibers.
- Due to its extremely deteriorated condition of the modified bitumen membrane roof and the extent of the historical repairs, it should be considered original to the building.
- Modified bitumen membrane roofs of this age and condition are not considered competent roof surfaces and are susceptible to bruising and fracture from otherwise non-damaging hailstone impacts.
- This roof is not of a competent condition, is not capable of withstanding typical hail-events, and is therefore not damaged due to hailstone impacts.
- Previous repairs and installation of the elastomeric paint on the roof indicate that the water leaks on the subject roof are historical and ongoing.
- Due to the membrane's continuous submergence in pooling water, it has balding, cracked and open seams, and age-related deterioration.

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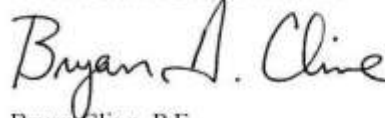
- Weather data indicate that a wind event was reported approximately 1.1 miles to the west/southwest of the subject site, on November 16, 2015, with 60 mph winds.
- The roof is not wind damaged.
- The water stains and hole in the concrete decking in the subject building are not indicative of a one-time event, but of an historical and ongoing water-intrusion problem.
- The repairs listed in the cost-estimate for the 2013 hail event were not made, with the exception of the partial roof paint application.

This report is based on information known to Donan at the time the report is issued. Donan reserves the right to amend or supplement this report if additional relevant information becomes available.

We appreciate your confidence in our professional services.

Sincerely,

DONAN ENGINEERING CO., INC.



Bryan Cline, P.E.  
Forensic Engineer  
Texas P.E.: 130457  
Expires: March 31, 2019



Signed by: Bryan D. Cline  
Date: 2019.03.03 14:57:39 --6

Attachments: Appendices A and B

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March 3, 2019  
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Photograph 1: West elevation of the subject roof.



Photograph 2: South elevation of the subject roof.

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March 3, 2019  
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Photograph 3: East elevation of the subject roof.



Photograph 4: North elevation of the subject roof.

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Photograph 5: The scuppers for the roof are dented.



Photograph 6: The electric panel on the south-side of the building has splash marks.

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Photograph 7: The south, metal door is rusted at dents.



Photograph 8: The south, metal door has splash marks.

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March 3, 2019  
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Photograph 9: The copper fascia around the building is dented.



Photograph 10: The south-facing wooden fence has clean marks.

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Photograph 11: The copper, top-cap flashing is dented.



Photograph 12: Close-up of the copper, top-cap flashing that is dented.

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Photograph 13: Interior elevation of the faux parapet-walls on the west, north and east-sides of the building.



Photograph 14: Copper covered faux parapet walls are dented.

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Photograph 15: Close-up of the copper covered, faux parapet walls that are dented.



Photograph 16: The top of the powered blower is dented.

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Photograph 17: Close-up of the dents on the powered blower.



Photograph 18: The tops of the metal flues are dented.

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Photograph 19: The HVAC unit's cooling fins are dented.



Photograph 20: Close-up of the dented cooling fins on the HVAC units.

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Photograph 21: The middle HVAC unit is a 1997 Carrier unit.



Photograph 22: The middle HVAC unit has splash-marks.

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Photograph 23: The southwest, HVAC unit is a 1996 Carrier unit.



Photograph 24: The southwest, HVAC unit has splash-marks.

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Photograph 25: The northeast, HVAC unit is a 2010 York unit.



Photograph 26: The northeast, HVAC unit has splash-marks.

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Photograph 27: The tops of the south parapet-walls is covered with a metal top-cap flashing and mastic.



Photograph 28: The tops of the parapet-walls have blemishes with missing mastic no fractures of the mat.

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Photograph 29: The vertical sides of the south parapet-wall transition is covered this mastic.



Photograph 30: The vertical sides of the south parapet-wall transition is covered this mastic and have irregular-shaped blemishes with non-fractured fiberglass mat.

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Photograph 31: The top of the east, parapet wall has linear blemishes with missing mastic and fractured fiberglass mat.



Photograph 32: The field of the modified bitumen membrane is painted with an elastomeric paint from the parapet-walls to the inside of the copper-paneled, faux parapet walls.

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Photograph 33: The modified bitumen roof outside of the copper-paneled, faux parapet walls is not painted.



Photograph 34: The paint-covered, modified bitumen membrane circular paint-chips without fractures.

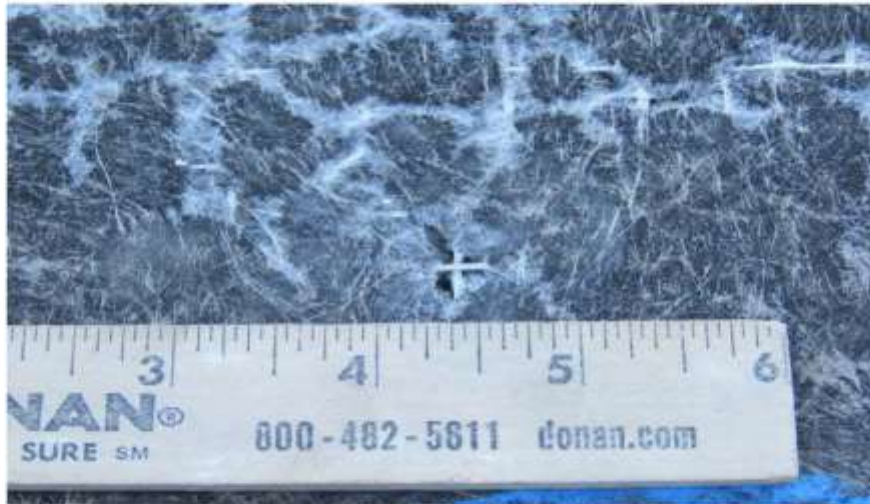
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Photograph 35: The non-painted modified bitumen membrane has irregular-shaped blemishes with missing felt paper.



Photograph 36: Close-up of the non-painted, modified bitumen membrane that has irregular-shaped blemishes with missing felt paper.

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Photograph 37: The non-painted, modified bitumen membrane is missing granules and mastic.



Photograph 38: The copper-paneled, faux parapet-walls frames, which are attached to the surface of the modified bitumen membrane roof, are not displaced.

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Photograph 39: The paint-covered, modified bitumen membrane has large patches of dark stains with dirt middle of the roof.



Photograph 40: The paint-covered, modified bitumen membrane has large patches of dark stains with dirt on north of the roof.

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Photograph 41: The roof has previous repairs.



Photograph 42: The paint-covered, modified bitumen membrane at patches of dark stains is delaminating and the mastic is missing.

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Photograph 43: Remaining mastic and granules in the dark-stained areas of the roof.



Photograph 44: The ceiling tiles throughout the building have multiple-rings of staining with varying shades to the stains.

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Photograph 45: Alternate example of the ceiling tiles throughout the building have multiple-rings of staining with varying shades to the stains.



Photograph 46: The batt-insulation above the drop-ceiling is stained black.

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Photograph 47: The reinforced, concrete roof decking is exposed and missing above the interior, drop-ceiling

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Client: Harney Partners  
Property: 2801 Paramount  
Amarillo, TX 79109

Operator: SUPPORT

Estimator: Nick  
Business: 11805 127 suite 300  
Amarillo, TX 79119

Business: (806) 662-2330  
E-mail: support@texasplainscos.com

Type of Estimate: Hail  
Date Entered: 5/24/2019                      Date Assigned:

Price List: TXAM8X\_MAY19  
Labor Efficiency: Restoration/Service/Remodel  
Estimate: 2801PARAMOUNT



**2801PARAMOUNT**

**Roof**

DESCRIPTION	QTY	UNIT PRICE	TOTAL
1. Tear off, haul and dispose of modified bitumen roofing	52.74 SQ @	33.87 =	1,786.30
2. Tear off, haul and dispose of modified bitumen roofing	52.74 SQ @		PWT
3. R&R Curb flashing - PVC/TPO	110.00 LF @	19.28 =	2,120.80
We believe we can rebuild the curb flashings on the AC units, however if we are unable to, we will have to detach and reset A/C units which would be an additional \$2,350.			
4. R&R Insulation - ISO board, 3"	52.74 SQ @	369.22 =	19,472.66
5. R&R Single ply membrane - Fully adhered system - 60 mil	55.38 SQ @	494.07 =	27,361.60
6. R&R Drip edge - PVC/TPO clad metal	290.00 LF @	4.62 =	1,339.80
7. R&R Sheathing - OSB - 1/2"	2,637.00 SF @	2.09 =	5,511.33
We believe only half of the decking needs to be replaced, due to water damage.			

**Roof Awning**

DESCRIPTION	QTY	UNIT PRICE	TOTAL
8. Metal roofing trim	210.00 LF @	5.11 =	1,073.10
9. R&R Metal roofing - High grade	669.90 SF @	8.52 =	5,707.55

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<b>Summary</b>	
Line Item Total	64,373.14
Material Sales Tax	1,817.39
Subtotal	66,190.53
Overhead	3,309.53
Profit	3,309.53
<b>Replacement Cost Value</b>	<b>\$72,809.59</b>
<b>Net Claim</b>	<b>\$72,809.59</b>

---

Nick

---

**Recap of Taxes, Overhead and Profit**

	<b>Overhead (5%)</b>	<b>Profit (5%)</b>	<b>Material Sales Tax (8.25%)</b>	<b>Manuf. Home Tax (5%)</b>
<b>Line Items</b>	3,309.53	3,309.53	1,817.39	0.00
<b>Total</b>	<b>3,309.53</b>	<b>3,309.53</b>	<b>1,817.39</b>	<b>0.00</b>

---

**Recap by Room**

Estimate: 2801PARAMOUNT		
Roof	57,592.49	89.47%
Roof Awning	6,780.65	10.53%
<hr/>		
Subtotal of Areas	64,373.14	100.00%
<hr/>		
Total	64,373.14	100.00%

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**Recap by Category**

<b>O&amp;P Items</b>	<b>Total</b>	<b>%</b>
GENERAL DEMOLITION	7,358.06	10.11%
ROOFING	57,015.08	78.31%
O&P Items Subtotal	64,373.14	88.41%
Material Sales Tax	1,817.39	2.50%
Overhead	3,309.53	4.55%
Profit	3,309.53	4.55%
<b>Total</b>	<b>72,809.59</b>	<b>100.00%</b>

# **EXHIBIT 5**



**Acknowledgement**

We/I have carefully reviewed the ALTA Settlement Statement and find it to be a true and accurate statement of all receipts and disbursements made on my account or by me in this transaction and further certify that I have received a copy of the ALTA Settlement Statement. We/I authorize Stewart Title Company to cause the funds to be disbursed in accordance with this statement.

**BUYER(S)**

\_\_\_\_\_  
GALLAWAY EMERSON, LLC

**SELLER(S)**

\_\_\_\_\_  
GREGORY S. MILLIGAN, RECEIVER

**SETTLEMENT COORDINATOR**

\_\_\_\_\_  
Trisha Golden