

**A REAL PROPERTY APPRAISAL REPORT**

**OF**

**THE MD MASUD REZA PROPERTY**  
801-811 Eagle Drive & 827 Bernard Street,  
Denton, Denton County, Texas 76201

**City of Denton, DME Program Management**  
**Proposed Eagle Substation**

**PREPARED FOR:**

**FREESE AND NICHOLS, INC.**  
c/o Mr. Phil Williams  
General Manager  
Denton Municipal Electric (DME)  
215 E McKinney Street  
Denton, Texas 76201

**EFFECTIVE DATE OF THE APPRAISAL:**  
March 31, 2017

**PREPARED BY:**



Real Estate Consultants & Appraisers  
3208 COLLINSWORTH STREET  
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Job No. - 16.2098

## TABLE OF CONTENTS

	PAGE NO.
TABLE OF CONTENTS .....	1
SECTION I - APPRAISAL REPORT .....	2
Scope of Work .....	4
Competency Rule .....	5
Jurisdictional Exception Rule .....	5
Extraordinary Assumptions .....	5
Hypothetical Conditions .....	5
Definition of Market Value.....	6
Summary of Salient Facts and Conclusions .....	7
Aerial.....	8
Date of the Report .....	9
Effective Date of Appraisal .....	9
Purpose and Property Rights Appraised .....	9
Identity of the Client and Intended Users of the Report .....	9
Intended Use of the Appraisal .....	9
Statement of Ownership, Sales History and Status .....	9
Market Area Analysis .....	10
Site Analysis.....	18
Improvement Analysis .....	20
Legal and Regulatory Constraints .....	22
Highest and Best Use Analysis.....	24
Market Value Estimate of the Whole Property .....	27
Sales Comparison Approach .....	28
Income Capitalization Approach.....	33
SECTION II - EXHIBITS .....	38
Area Map.....	39
Market Area Map .....	40
Property Aerial .....	41
Survey & Legal Description .....	42
Flood Plain Map.....	43
Subject Photos.....	44
SECTION III - COMPARABLE SALES .....	49
SECTION IV - CERTIFICATION OF THE APPRAISAL .....	54
SECTION V - ASSUMPTIONS AND LIMITING CONDITIONS AND DEFINITIONS .....	57
SECTION VI - QUALIFICATIONS OF THE APPRAISERS .....	65

## SECTION I - APPRAISAL REPORT

**O'BRIEN REALTY ADVISORS, LLC**  
**REAL ESTATE CONSULTANTS & APPRAISERS**  
**3208 COLLINSWORTH STREET**  
**FORT WORTH, TEXAS 76107**

April 4, 2017

FREESE AND NICHOLS, INC.  
c/o Mr. Phil Williams  
General Manager  
Denton Municipal Electric (DME)  
215 E McKinney Street  
Denton, Texas 76201

***SUBJECT:***     **THE MD MASUD REZA PROPERTY**  
                    801-811 Eagle Drive & 827 Bernard Street, Denton, Texas

Dear Mr. Williams:

O'Brien Realty Advisors, LLC is pleased to present this appraisal report that was prepared on the above referenced property. The purpose of this appraisal is to derive an opinion of market value of the subject property, as of March 31, 2016 the effective date of the appraisal.

The report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP), The State of Texas, and the Standards of Professional Practice of the Appraisal Institute. Our opinion of market value is premised upon the Assumptions and Limiting Conditions outlined herein. The definition of market value may be found in Sections I and V.

## SCOPE OF WORK

As part of this appraisal, we have completed the following steps to gather, confirm, and analyze the data.

- ❖ Mike C. O'Brien & Mark R. Sadler physically inspected the subject and the surrounding market area on December 28, 2016 and March 30, 2017. The appraisers were accompanied by Masud Reza, the property owner, during the inspection on December 28. The inspection of the property is limited to those things readily observable without the use of special testing or equipment.
- ❖ Collected factual information about the subject and the surrounding market area and confirmed that information with various sources.
- ❖ Performed a highest and best use analysis of the subject site as vacant and as improved when applicable.
- ❖ Gathered market information on comparable sales and rents. The comparable information was confirmed with at least one of the parties to the transaction.
- ❖ Analyzed market information and developed indications of value under the necessary approaches to value for a credible assignment result.
  - The appraisal of real estate typically employs three traditional valuation methods: the cost approach, the sales comparison approach, and income approach. Use of the approaches in this assignment is summarized as follows:
    - The sales comparison approach is an applicable valuation method for the subject due to the following:
      - There is an active market for similar properties, and sufficient sales data is available for analysis
    - The income approach is an applicable valuation method for the subject due to the following:
      - There is an active rental market for similar properties, allowing us to estimate the subject's income generating potential.
    - The cost approach is not applicable to the assignment considering the following:
      - The age of the property would limit the reliability of estimating the property's accrued depreciation.
      - This approach is not typically used by market participants for properties the age of the subject.

- ❖ Prepared an appraisal report summarizing our analyses, opinions and conclusions.

## **COMPETENCY RULE**

We have the knowledge and experience of appraising similar type properties located within the subject's market area, and applying the approaches to value utilized; therefore, we are able to complete this assignment competently.

## **JURISDICTIONAL EXCEPTION RULE**

If any part of the *Uniform Standards of Professional Appraisal Practice* is contrary to the law or public policy of any jurisdiction, only that part shall be void and of no force or effect in that jurisdiction.

## **EXTRAORDINARY ASSUMPTIONS**

An extraordinary assumption is an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions are specific to the assignment, as opposed to general assumptions, which could be applicable to any assignment. In this assignment, we have assumed typical general assumptions and limiting conditions as cited later in this report. It is also noted that the appraisers were unable to get into one of the tenant spaces. It is assumed that this space is in a condition consistent with the age and condition of the overall property.

## **HYPOTHETICAL CONDITIONS**

A hypothetical condition is "that which is contrary to what exists but is supposed for the purpose of analysis." In the State of Texas, appraisal reports prepared for eminent domain purposes may recognize one or more hypothetical conditions. For example, the appraisal of a remainder property assumes that the proposed public or private improvements were complete as of the effective date of valuation, when in fact it is known that they are not. The use of hypothetical conditions derived from public policy and case law does not result in a process that is limited or renders the results no longer credible. No additional hypothetical conditions were used in this appraisal assignment.

## DEFINITION OF MARKET VALUE

“Market value,” as used herein, is defined as:

*...the price which the property would bring when it is offered for sale by one who desires, but is not obliged to sell, and is bought by one who is under no necessity of buying it, taking into consideration all of the uses to which it is reasonably adaptable and for which it either is or in all reasonable probability will become available within the reasonable future.*

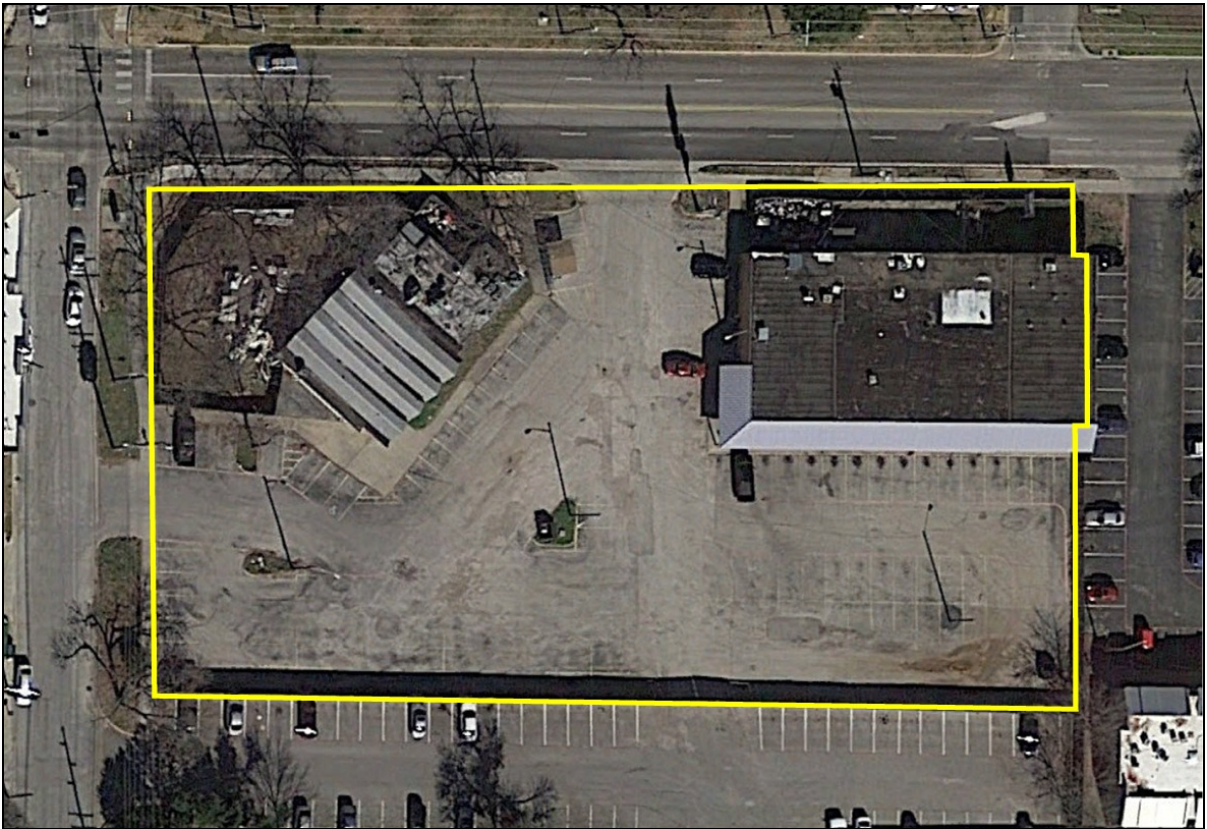
*City of Austin v. Cannizzo, et al, 153 Tex. 324, 267 S.W.2d 808 (Tex. 1954).*

## SUMMARY OF SALIENT FACTS AND CONCLUSIONS

MD MASUD REZA PROPERTY	
Location	Located at the southeast corner of Eagle Drive & Bernard Street, or 801-811 Eagle Drive & 827 Bernard Street, Denton, Denton County, Texas
Legal Descriptions	The subject is legally described as a 1.656 acre tract of land situated in the Alexander Hill Survey, Abstract No. 623, in the City of Denton, Denton County, Texas.
Owner of Record	MD Masud Reza 6281 S. Stemmons Fwy. Corinth, TX 76205
Property Tax Number(s)	36412
Effective Date of the Appraisal	March 31, 2017
Date of the Report	April 4, 2017
Land Area	72,123 square feet or 1.656 acres
Improvements	The subject is improved with an 8,865 SF multi-tenant retail building and a 3,680 SF restaurant building.
Highest and Best Use	Continued use of existing improvements
Estimated Exposure Time	6 - 12 months
Property Rights Appraised	Fee simple estate (Surface Estate Only)
Market Value Indications	
Cost Approach	N/A
Sales Comparison Approach	\$2,195,375
Income Approach	\$2,344,350
Indicated Market Value	\$2,300,000



## AERIAL



Source: Google Earth (Imagery Date: 1/29/2016)

\*LOCATION OF BOUNDARIES ARE APPROXIMATE

*DUE TO THE ANGLE OF THE AERIAL, SOME IMPROVEMENTS MAY ERRANTLY APPEAR TO BE ENCROACHING ON ADJOINING PROPERTIES*

**DATE OF THE REPORT**

The date of the report is April 4, 2017.

**EFFECTIVE DATE OF APPRAISAL**

The effective date of this appraisal (value) is March 31, 2017.

**PURPOSE AND PROPERTY RIGHTS APPRAISED**

The purpose of this appraisal is to derive an opinion of market value of the subject property, as of March 31, 2017, the effective date of the appraisal. The surface estate has been appraised.

**IDENTITY OF THE CLIENT AND INTENDED USERS OF THE REPORT**

The client is Freese and Nichols, Inc., and the intended users are Freese and Nichols, Inc.; Denton Municipal Electric (DME); 7 Arrows Land Staff, LLC; and their agents, representatives and assigns.

**INTENDED USE OF THE APPRAISAL**

This appraisal report has been prepared for Freese and Nichols, Inc.; DME; 7 Arrows Land Staff, LLC; and their assigns, for assistance in acquisition negotiations and eminent domain proceedings if necessary.

**STATEMENT OF OWNERSHIP, SALES HISTORY AND STATUS**

According to the Uniform Standards of Professional Appraisal Practice (USPAP), the appraisers are required to discuss and analyze any previous sales of the subject property within the previous three years for all properties. According to public records, the subject is currently owned by MD Masud Reza and has been since December 8, 1999. The property does not currently appear to be listed for sale, and the appraisers are not aware of any options or contracts on the property.

## MARKET AREA ANALYSIS

A neighborhood is typically a segment of a community, city or town, which is a homogeneous grouping of individuals, buildings, or business enterprises within the larger community. A neighborhood has three stages of life and possibly a fourth. They are: (1) growth, (2) stability, (3) decline, and (4) revitalization and continuance of the neighborhood life cycle. Principal factors which improve neighborhood values are good schools, churches, rural residential facilities, homogeneity and civic responsibility, prestige and visual appeal, satisfactory transportation affording good ingress and egress, good planning, adequate utilities, conformity in land use, sensible zoning, and topographical and geographical advantages. Some factors which reduce neighborhood values are: the tendency of inhabitants to think the neighborhood is losing its desirability, movement of undesirable uses into the area, lack of zoning protection, increasing taxes, reduced rental rates and values of surrounding properties, lack of adequate planning, community pride, and nuisances. The book entitled *Real Estate Appraisal Terminology* defines a neighborhood as:

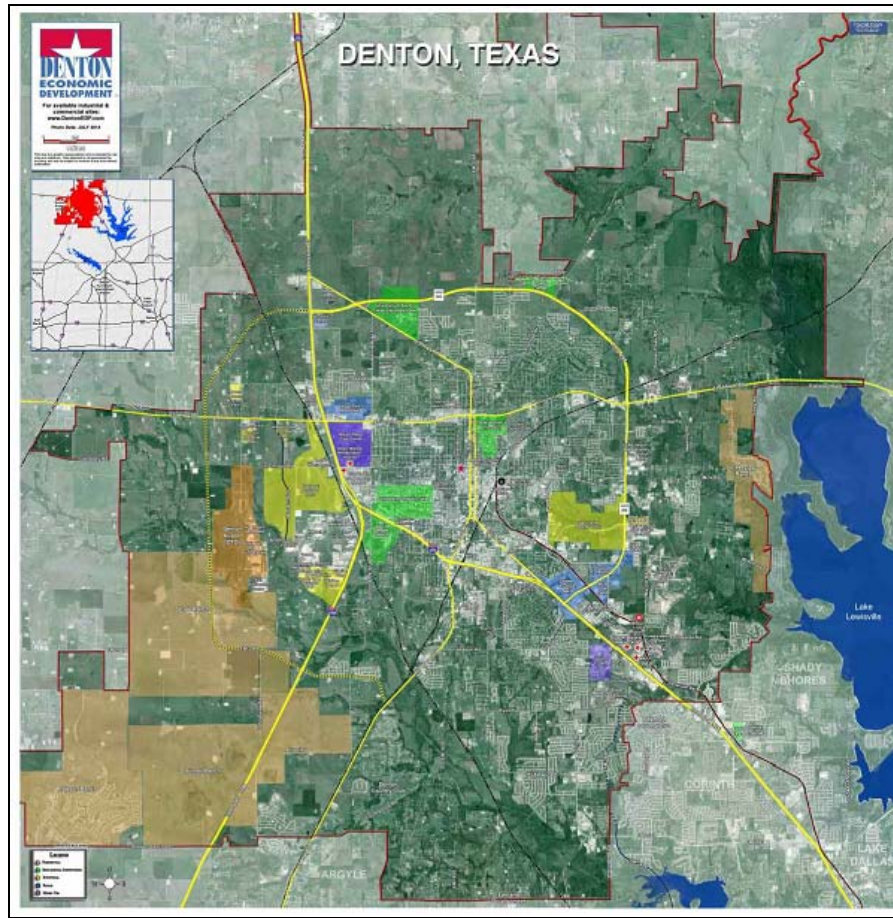
A portion of a larger community or an entire community in which there is a homogeneous grouping of inhabitants, buildings or business enterprises. Inhabitants of a neighborhood usually have more than a casual community of interest. Neighborhood boundaries may consist of well-defined natural or man-made barriers or they may be more or less well defined by a distinct change in land use or in the character of the inhabitants.

The subject is located in central Denton County, in the City of Denton, Texas. The neighborhood is largely influenced by a mix of commercial, industrial, institutional and residential uses. The City of Denton encompasses a landmass of 97 miles and has a population of approximately 119,000. It's located approximately 35 miles north of Dallas and Fort Worth and is centrally located within the country (you can reach 98% of the US population within 48 hours by vehicle).

### *ACCESS AND LINKAGES*

IH-35, whose eastern and western segments intersect in the City of Denton, run through Dallas (IH-35E) and Fort Worth (IH-35W) to the south and continue past the Texas/Oklahoma border to the north. Other major thoroughfares in the area are Loop 288 and University Drive. The DFW Airport, the region's largest international airport, is approximately 22 miles to the south.

Access to Denton is good with IH-35 and US Highway 377 providing north/south travel and University Drive and US Highway 380 providing east/west travel.



Source: City of Denton

## EMPLOYMENT

The primary employment centers for the people living in the subject's neighborhood are located in the larger DFW Metroplex area. According to the *Dallas Business Journal Book of Lists 2016*, the major employers for North Texas are as follows:

Employer	Employees
Wal-Mart	34,000
American Airlines Group	27,000
Texas Health Resources	22,296
Dallas Independent School	19,740
Baylor Scott & White Health	16,500
Lockheed Martin Aeronautics	13,750
Bank of America	13,500
City of Dallas	13,336
UT Southwestern Medical	13,018
Texas Instruments Inc.	13,000
JPMorgan Chase Bank	12,676



The City of Denton also has many large employers - mostly in the industrial, health care and education fields. According to the *Denton Economic Development Partnership*, the top major employers for Denton are as follows:

Employer	Employees
University of North Texas	8,738
Denton ISD	4,417
Peterbilt Motors	2,314
Denton State Supported Living Ctr	1,700
Texas Women’s University	1,672
Denton County	1,581
City of Denton	1,383
FEMA	594-1,100 (varies)
Denton Regional Medical Ctr	950
Sally Beauty Company, Inc.	950
Safran Electrical & Power	830

#### DEMAND GENERATORS

**Retail** - *Rayzor Ranch* is a major mixed-use development that is planned to ultimately include more than 582,000 square feet of retail and commercial space. Stores in the development include Academy Sports and Outdoors, Kohl’s, Ross Dress for Less, Famous Footwear, Boot Barn, Petco, Panera Bread, Jo-Ann’s Fabric and DK Foot. A 600,000 square foot Rayzor Ranch Town Center are in development and plans include a Cinemark Movie Bistro.



*Golden Triangle Mall* is a major retail center that has had major renovations including adding a food court, interior landscaping, Wi-Fi and many new stores and restaurants. Tenants include Sephora, Buckle, Body Central, Charlotte Russe, Tobu Asian Eatery, Italia Express and Smoothie Paradise. Two pad sites for Pollo Tropical and Corner Bakery were also added.

*Downtown Denton* continues to grow with the addition of H Squared, a new apartment complex with ground-floor retail and many new restaurants and bars.

The area around the University of North Texas has seen continued apartment activity, with new and redeveloped complexes coming online over the past few years.

**Business** - Denton experienced strong growth in 2015. Not only did four long-time Denton companies expand, but several new companies chose to move to Denton.

- An O'Reilly Hotel is developing an Embassy Suites and a 70,000-square foot convention center in the Rayzor Ranch Town Center.
- The Railyard Downtown Project - Rail Yard Partners, Ltd. is renovating an existing 28,000-square foot building as part of a larger transit-oriented development. The City will lease 9,216-square feet for a collaborative working space and business incubator.
- WinCo Foods - acquired 77 acres on the west side of Western Blvd., just north of Airport Road, to construct an 800,000-square foot distribution center. This project is projected to create 165 jobs.
- Buc-ee's - this "travel center" will be located along I-35E and will include 53,000-square feet of retail, fuel sales and a car wash.
- *Tetra Pak Materials*, a manufacturer and distributor of liquid foods, is expanding their current 220,000 square foot facility with an additional 32,000 square foot expansion, including relocating their headquarters from Chicago to Denton.
- Air Medical Group Holdings, Inc., a national helicopter ambulance company, plans to begin construction on its new headquarters and hangar near Denton Enterprise Airport - relocating their current headquarters from Lewisville.
- *Business Air* is planning an expansion at the Denton Enterprise Airport with plans to construct a 24,000 square foot hangar with an additional 4,000 square feet of office.

**Education** - City of Denton residents have access to several higher education facilities including the University of North Texas, Texas Woman's University and North Central Texas College.

The University of Texas just started construction on a new \$70 million College of Visual Arts and Design building that will be a 4-story and 145,000 square foot complex scheduled for completion by Fall 2018. This addition will give their College of Visual Arts and Design a total complex of 228,000 square feet.

**Recreation** - The city has many parks that provide playground areas, waterparks, walking/bike trails, picnic areas and dog parks.

In proximity to the City of Denton is Lake Lewisville. Lake Lewisville is one of the largest lakes in north Texas spanning 29,000 acres with 233 miles of shoreline. This recreational lake allows for fishing, skiing, swimming and recreational boating. There are numerous parks located around the lake. There are plenty of nice beaches, campgrounds, hiking and biking trails, golf courses, and other outdoor activities. Lewisville Lake is operated by the US Corps of Engineers and is a part of the Trinity Regional Project. The Trinity Regional Project is a cluster of seven local lakes: Bardwell, Benbrook, Grapevine, Joe Pool, Lavon, Lewisville and Ray Roberts.

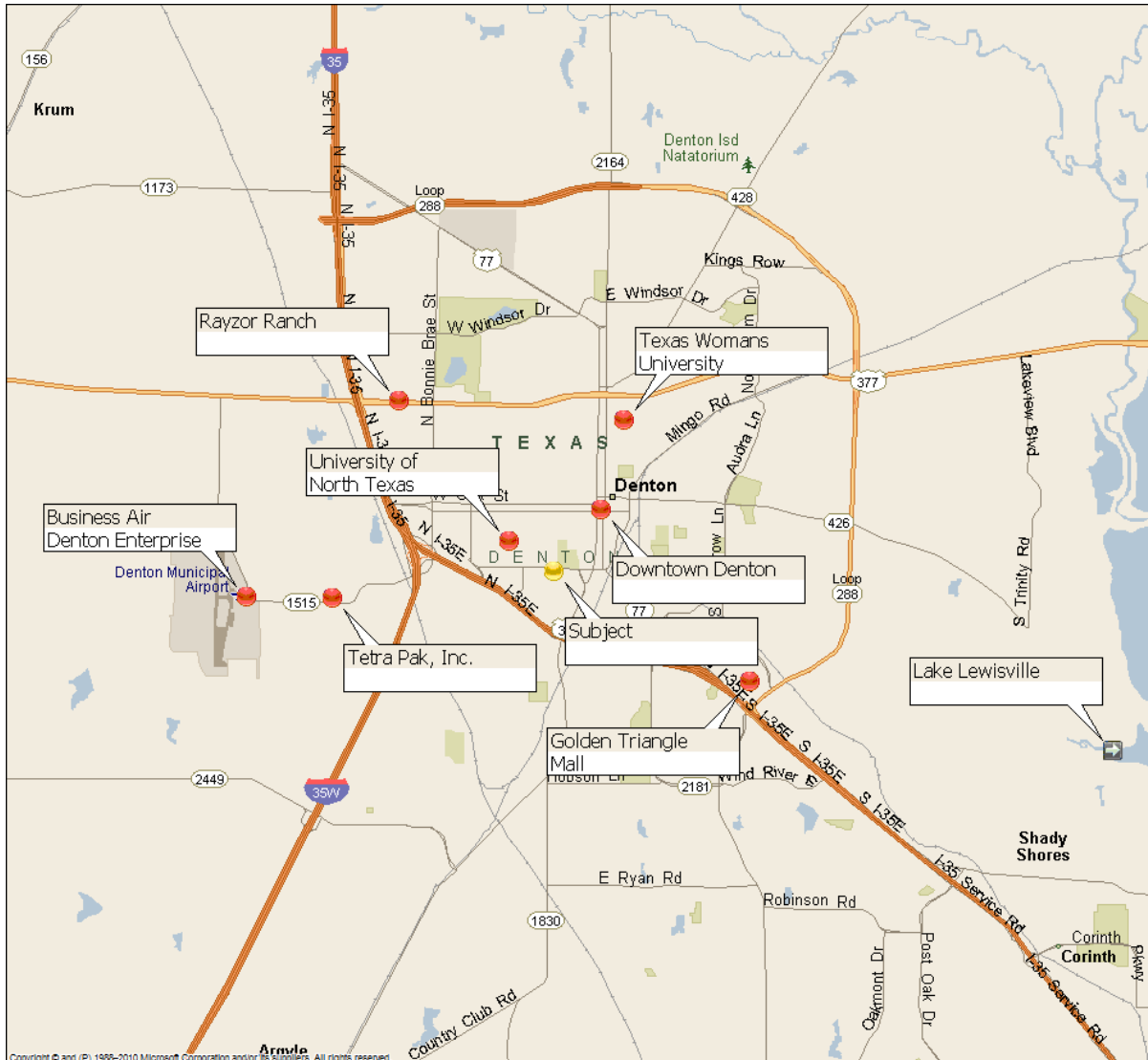


Lake Lewisville

Source: [www.lake-lewisville.org](http://www.lake-lewisville.org)

Source: [www.swf-wc.usace.army.mil](http://www.swf-wc.usace.army.mil)

**DEMAND GENERATORS MAP**



**PUBLIC SERVICES**

The area is served by the Denton Independent School District. Electric service is provided by Denton Municipal Electric (DME), the City of Denton provides water and waste services and gas is provided by Atmos Energy.

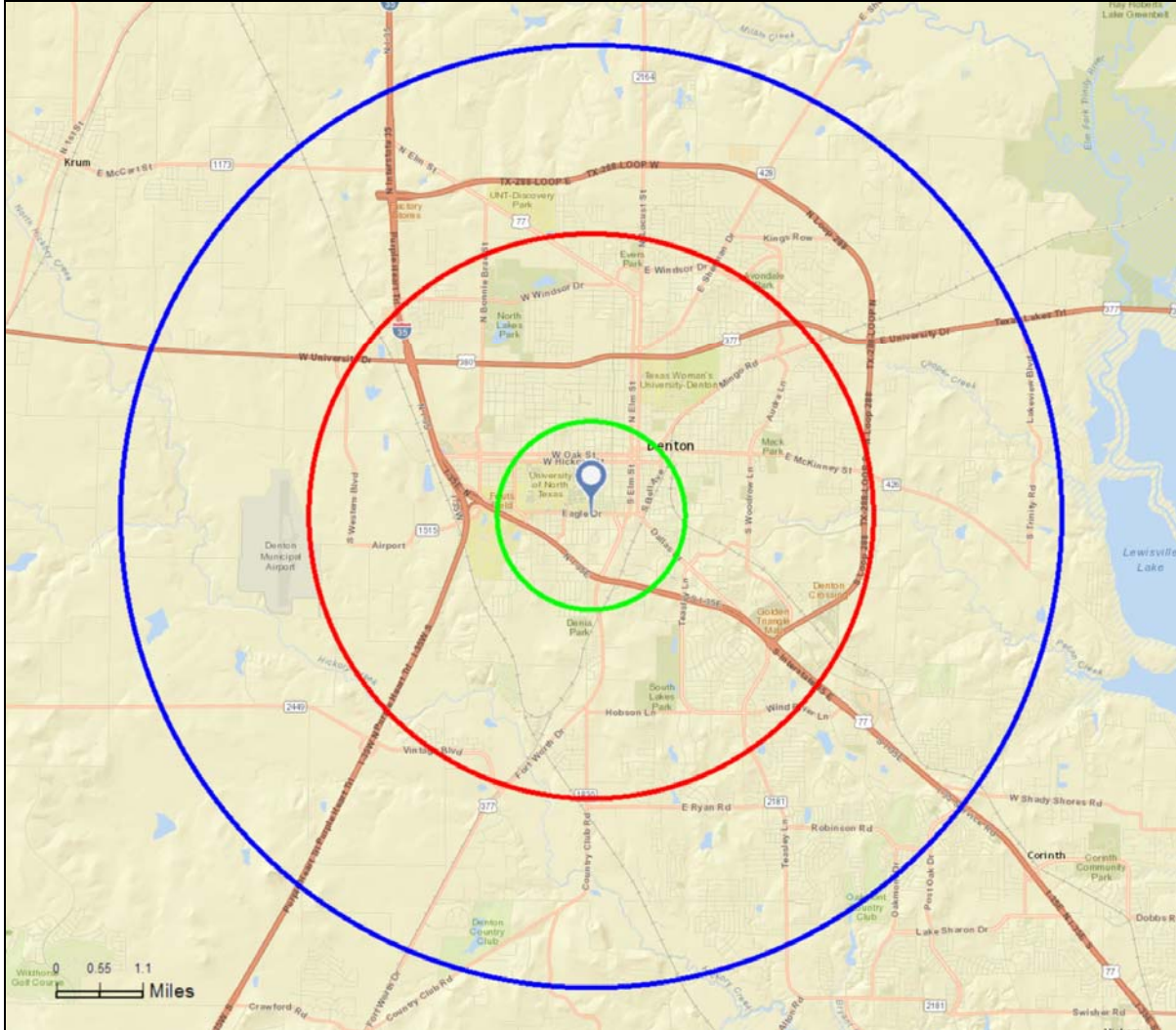
**LAND USE**

Neighborhood land use is primarily commercial, institutional and industrial along major thoroughfares, with residential infill.



## DEMOGRAPHIC FACTORS

A demographic profile of the subject, as provided by Site to Do Business, is presented in the following tables:



	1 mile	3 miles	5 miles
<b>Population</b>			
2000 Population	15,800	63,595	88,498
2010 Population	17,914	72,221	116,163
2016 Population	18,980	77,451	127,457
2021 Population	20,204	83,711	139,577
2000-2010 Annual Rate	1.26%	1.28%	2.76%
2010-2016 Annual Rate	0.93%	1.12%	1.50%
2016-2021 Annual Rate	1.26%	1.57%	1.83%

	1 mile	3 miles	5 miles
<b>Median Household Income</b>			
2016 Median Household Income	\$20,132	\$36,373	\$46,269
2021 Median Household Income	\$20,038	\$34,385	\$47,825
2016-2021 Annual Rate	-0.09%	-1.12%	0.66%
<b>Average Household Income</b>			
2016 Average Household Income	\$33,273	\$54,775	\$65,611
2021 Average Household Income	\$33,823	\$57,850	\$70,135
2016-2021 Annual Rate	0.33%	1.10%	1.34%

*OUTLOOK AND CONCLUSIONS*

The market area is in the growth stage of its life cycle. Given the history of the area and the growth trends, it is our opinion that property values will increase gradually, along with the national economy.

## **SITE ANALYSIS**

An analysis of the property is particularly important in estimating its highest and best use. Following is a discussion of those site characteristics considered most important.

### ***PROPERTY LOCATION, SIZE AND SHAPE***

The subject is a 1.656 acre or 72,123 square-foot, near rectangular shaped tract of land located at the southeast corner of Eagle Drive & Bernard Street, or 801-811 Eagle Drive & 827 Bernard Street, Denton, Denton County, Texas.

### ***LEGAL DESCRIPTION***

The subject is legally described as a 1.656 acre tract of land situated in the Alexander Hill Survey, Abstract No. 623, in the City of Denton, Denton County, Texas.

### ***PROPERTY TAX INFORMATION***

Real estate tax assessments are estimated by jurisdiction on a county basis for the subject. The subject lies in Denton County, Texas. Real estate taxes in this state and this jurisdiction represent ad valorem taxes, meaning a tax applied in proportion to value. State law requires that all real property be revalued at least every three years.

<b>DENTON COUNTY MARKET AND ASSESSED VALUES</b>							
Account	Tax Owner Name	Land Size (SF)	Tax Year	Land Value		Imps.	Assessed Value
36412	MD Masud Reza	73,003	2016	\$ 447,344	\$6.13	\$ 202,656	\$ 650,000
Total		73,003	2016	\$ 447,344	\$6.13	\$ 202,656	\$ 650,000

The 2016 composite tax rates are itemized as follows:

<b>DENTON COUNTY 2016 COMPOSITE TAX RATE</b>	
Taxing Entity	Taxing Rate (/ \$100)
Denton County	0.248409
City of Denton	0.683340
<u>Denton ISD</u>	<u>1.540000</u>
<b>Total</b>	<b>2.471749</b>

The Denton County Appraisal District has appraised the subject at \$650,000. It is noted that 2017 values and tax rates have not been released yet.

***SITE ACCESS AND FRONTAGE***

<b>Street</b>	<b>Eagle Drive</b>	<b>Bernard Street</b>
Frontage	±358 feet	±197 feet
Paving	Asphalt	Asphalt
Curbs/Gutters	Yes	Yes
Sidewalks	Yes	Yes
Direction of Traffic	East/West	North/South
Condition	Average	Average
Signals/Traffic Control	Light @ Bernard	Light @ Eagle
Access	Average	Average
Visibility/Exposure	Average	Average

***ENVIRONMENTAL STATEMENT***

According to the client, an environmental study has been done on the property, and no volatiles or semi volatiles were detected in soil or groundwater samples above regulatory action levels. We are unaware of any detrimental environmental conditions that affect the property. For the purposes of our analysis we have estimated the market value of the site as if it is free from any adverse environmental conditions.

***FLOODPLAIN***

According to FEMA Map Panel 48121C0360G, dated April 18, 2011, the property appears to be unencumbered by the 100-year floodplain. Please see “Exhibits” for a floodplain map.

***TOPOGRAPHY***

The property is a near rectangular shaped tract with generally level terrain.

## IMPROVEMENT ANALYSIS

According to our site inspection, the subject is currently improved with a multi-tenant retail building, a restaurant building, and associated site improvements. The condition of the improvements is average overall, and the property has been reasonably maintained. The quality of construction is average overall, and our inspection did not reveal any significant items of deferred maintenance or functional obsolescence. It is noted that one of the tenant spaces was undergoing tenant finish-out as of December 28, 2016. It is also noted that the appraisers were unable to get into one of the tenant spaces. It is assumed that this space is in a condition consistent with the age and condition of the overall property.

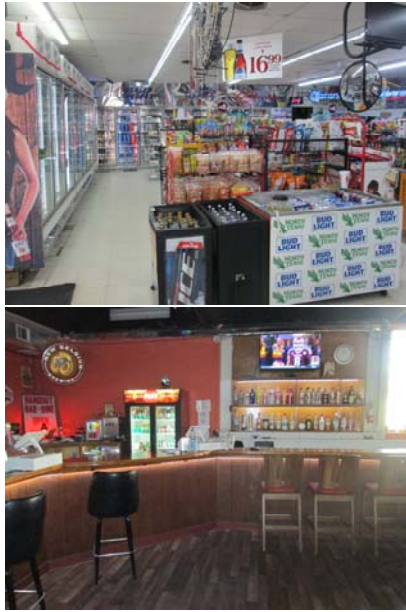
The appraisers noticed items of personal property at the time of inspection. These items include, but are not limited to, furniture, telephones, computers, cash registers, wall hangings & artwork, coolers, freezers, ice machines, drink dispensers, inventory, kitchen equipment, buffet equipment, tools, and construction equipment. Also of note is the snow cone stand and related improvements. These are also considered personal property and are being addressed outside the scope of this appraisal. This report does not include a value estimate for any personal property or trade fixtures that might be found on the property.

The following detailed description of the improvements is based on our inspection of the property and information gathered from various sources.

### Exterior Description

	General Property Type	Retail & Restaurant
	Size	
	Building Area	
	Retail	8,865 square feet
	Restaurant	<u>3,680 square feet</u>
		12,545 square feet
	Source of SF Info.	On-site measurements & survey from client
	Year Built	
	Retail	1985
	Restaurant	1990
	Foundation	Slab foundation
	Construction	A mix of metal, brick & wood siding

### Interior, Equipment and Mechanical Systems



Ceiling Cover	Mixture of acoustic tiles and exposed trussing
Floor Cover	Mixture of tile, concrete, vinyl and wood flooring
Lighting	Mixture of fluorescent, incandescent, & LED lightning
HVAC	Central heating and air conditioning.
Electrical	Assumed to meet code
Plumbing	Assumed to meet code
Rest Rooms	Adequate
Security	Security system noted

### Site Improvements



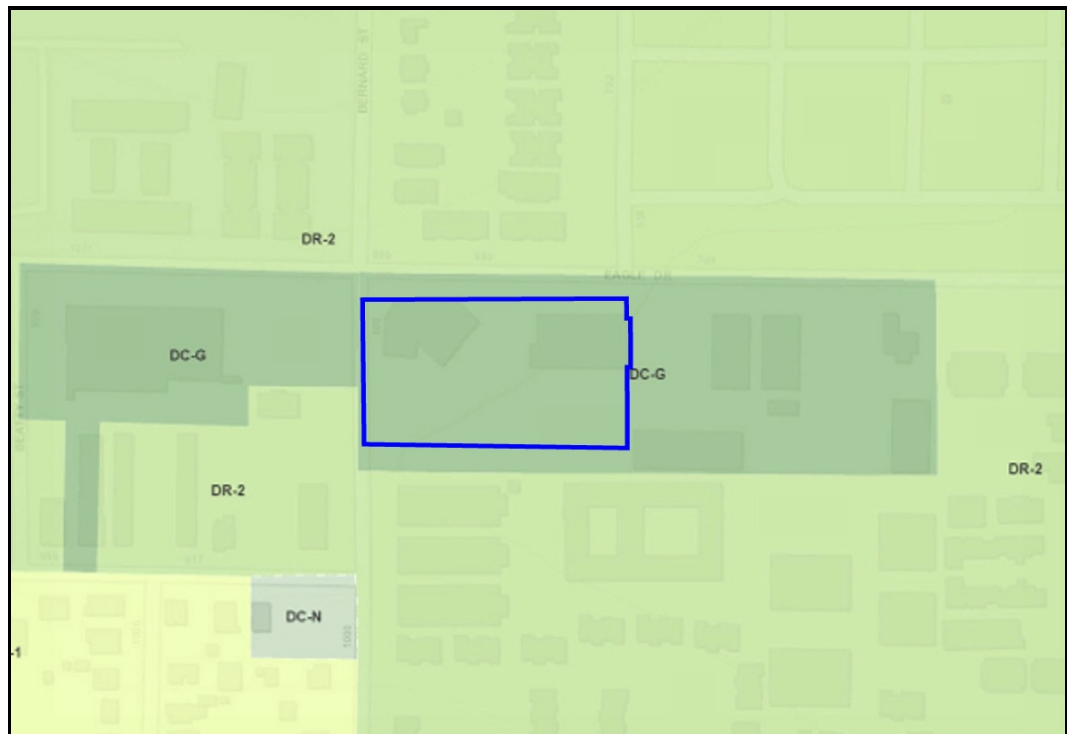
General Description	The subject has typical site improvements associated with the property type, including: paving, signage, fencing, lighting, and adequate parking.
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## LEGAL AND REGULATORY CONSTRAINTS

### ZONING

The subject is located in the City of Denton, Texas and is zoned Downtown University Core with a land use category of DC-G, “Downtown Commercial General”. The purpose of the Downtown University Core District is to “encourage mixed use development within specified commercial areas of the district”. A zoning map and specific restrictions are presented below.



Minimum Lot Area	None
Minimum Lot Width	None
Minimum Lot Depth	None
Minimum Front Yard Setback	None
Minimum Side Yard	None
Minimum Rear Yard	None
Minimum FAR	3.0
Maximum Lot Coverage	85%
Minimum Landscaped Area	15%
Maximum Building Height	100 feet

***OTHER LEGAL AND REGULATORY CONSTRAINTS***

According to our research and inspection of the property it appears that the property contains mostly typical perimeter/utility easements. It appears that there are no easements, encumbrances, or restrictions that would restrict the property from being developed to its highest and best use.



## **HIGHEST AND BEST USE ANALYSIS**

The following summarizes the highest and best use of the property.

### ***PROCESS***

Before a property's value can be concluded, the highest and best use of the property must be determined for both the subject site as though vacant, and for the property as currently improved (if applicable). The highest and best use must be:

- ❖ Legally permissible under the zoning laws and other restrictions that apply to the site.
- ❖ Physically possible for the site.
- ❖ Economically feasible.
- ❖ Capable of producing the highest net return on investment (i.e. highest value) from among the possible, permissible, and economically feasible uses.

### ***As THOUGH VACANT***

#### **LEGALLY PERMISSIBLE**

The subject is located in the City of Denton and is zoned Downtown University Core with a land use category of DC-G, "Downtown Commercial General". The appraisers are unaware of any deed restrictions or any further legal limitations on the property which would inhibit the property from being developed to its highest and best use.

#### **PHYSICALLY POSSIBLE**

The size, location, access, frontage, availability of utilities, floodplain characteristics and topography of the site affect the uses to which it can be developed. The subject consists of approximately 1.656 acres or 72,123 square feet of land and is located at the southeast corner of Eagle Drive & Bernard Street. The subject is a near rectangular shaped tract of land with generally level terrain. The property is unencumbered by floodplain and has access to all utilities. Development of the property for a variety of uses is physically possible.

**FINANCIALLY FEASIBLE**

Proposed development must be financially feasible. Factors that must be considered include surrounding land uses, the supply and demand of the property type, the availability of financing, and the cost of land acquisition and building construction in relation to the property's income producing capacity.

Conformity is the appraisal principle that holds that real property values are created and sustained when the characteristics of the property conform to the demands of its current market. The styles and uses of the properties in an area may conform for several reasons, including economic pressures, the shared preference of owners of certain types of structures, amenities and services and the enforcement of uniform standards by means of zoning. Through local zoning ordinances, the government encourages conformity by restricting land use. Standards of conformity are set by the market and are therefore subject to change. Zoning codes, however, tend to establish conformity in basic property characteristics including size, style, and design. A particular market also sets standards of conformity, especially in terms of price. Usually the value of an over improved property will decline, or regress towards the value of surrounding, conforming properties, while the value of an under improved property may increase, or progress towards the prevailing market standards.

Based on prevailing market conditions, land use patterns and the physical characteristics of the site, multi-family residential use is considered to be the most financially feasible use.

**MAXIMALLY PRODUCTIVE**

There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than multi-family residential use.

***As Improved***

According to our inspection and Denton Central Appraisal District, the subject is currently improved a mutli-tenant retail building, a restaurant building, and associated site improvements. Given the prevalence of multi-family use in the market area, and the previous conclusion of the highest and best use as vacant being for mutli-family use, the appraisers considered the feasibility of redevelopment. Based on land sales in the appraiser's work file, multi-family land in the subject's market area ranges from \$9.18 to \$19.06 per SF. At the high end of the range, the subject's land would bring \$1,374,664 (\$19.06 x 72,123 SF).

The current value indications for the subject property, as improved, would exceed the projected value of the site as if vacant; i.e., the current improvements contribute to the overall value of the site. Considering current economic conditions of the neighborhood, no alternative legal use would justify removal of the improvements at present. Therefore, the existing improvements are considered to be the highest and best use of the property.

## **MARKET VALUE ESTIMATE OF THE WHOLE PROPERTY**

The appraisal of real estate typically employs three traditional valuation methods: the cost approach, the sales comparison approach, and income approach. Use of the approaches in this assignment is summarized as follows:

- The sales comparison approach is an applicable valuation method for the subject due to the following:
  - There is an active market for similar properties, and sufficient sales data is available for analysis
- The income approach is an applicable valuation method for the subject due to the following:
  - There is an active rental market for similar properties, allowing us to estimate the subject's income generating potential.
- The cost approach is not applicable to the assignment considering the following:
  - The age of the property would limit the reliability of estimating the property's accrued depreciation.
  - This approach is not typically used by market participants for properties the age of the subject.

## SALES COMPARISON APPROACH

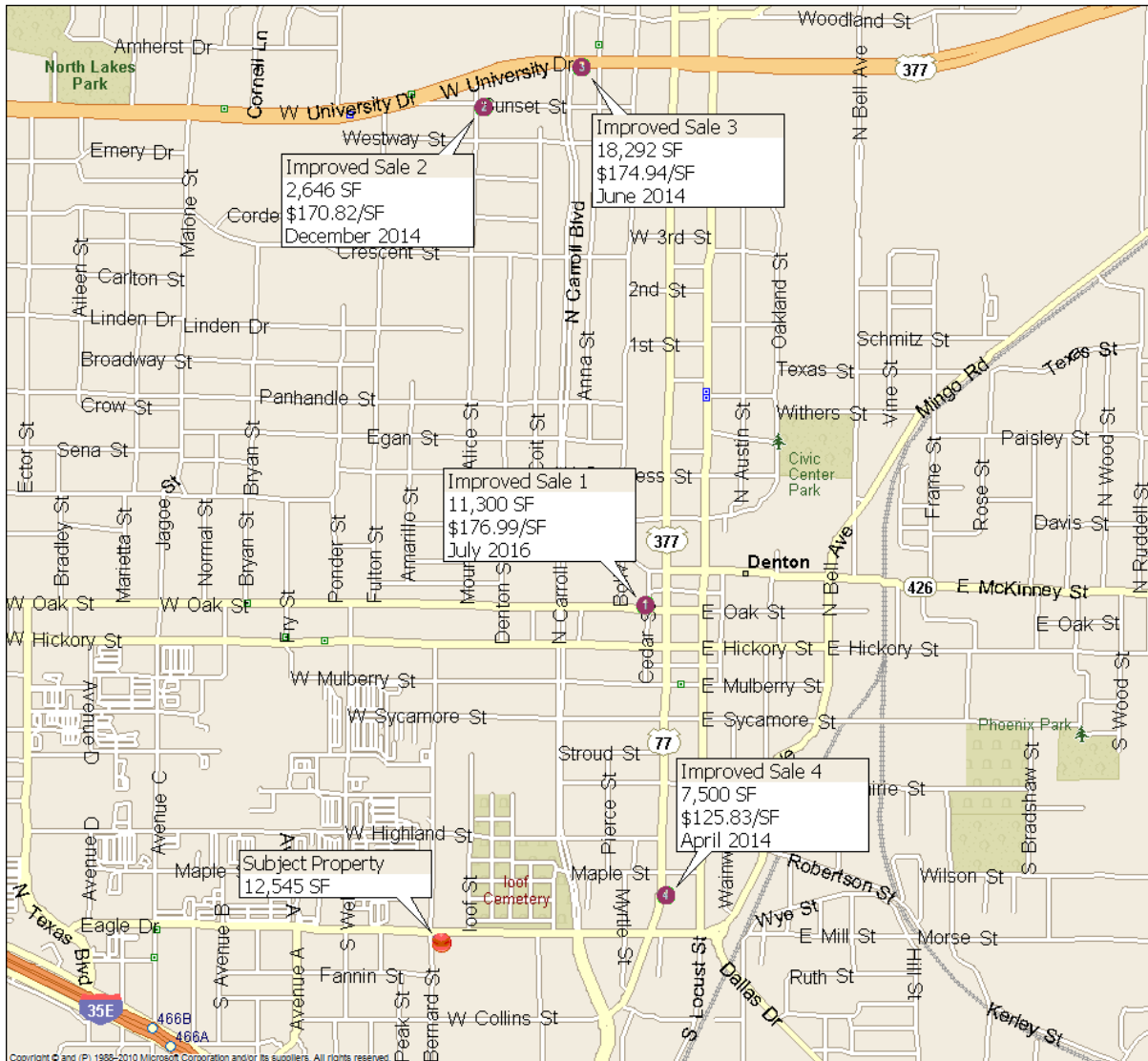
The steps taken to apply this approach area:

- Gather data on relevant comparable property sales;
- Analyze and adjust the sales for material differences in comparison to the subject;
- Reconcile the adjusted sales into a value indication for the subject.

For this analysis, we use price per square foot of rentable area as the appropriate unit of comparison because market participants typically compare sale prices and property values on this basis. The most relevant sales are summarized below.

SUMMARY OF COMPARABLE IMPROVED SALES				
<u>Sale No.</u>	<u>Location</u>	<u>Date of Sale</u>	<u>Size (SF)</u>	<u>Price per SF</u>
1	Located at the northwest corner of Oak Street & Cedar Street, Denton, Texas	07/29/16	11,300	\$176.99
2	Located at the southeast corner of Sunset Street & Alice Street, Denton, Texas	12/17/14	2,646	\$170.82
3	Located at the southeast corner of University Drive & Carroll Blvd., Denton, Texas	06/24/14	18,292	\$174.94
4	Located along the east side of Fort Worth Drive, north of Eagle Drive, Denton, Texas	04/30/14	7,500	\$125.83
Subject: Located at the southeast corner of Eagle Drive & Bernard Street, Denton, Texas			12,545	

## SALES LOCATIONS



## Land Value - Sales Comparison Approach

Land Sales Summary					
	Subject	Sale #1	Sale #2	Sale #3	Sale #4
Location:	Located at the southeast corner of Eagle Drive & Bernard Street, Denton, Texas	Located at the northwest corner of Oak Street & Cedar Street, Denton, Texas	Located at the southeast corner of Sunset Street & Alice Street, Denton, Texas	Located at the southeast corner of University Drive & Carroll Blvd., Denton, Texas	Located along the east side of Fort Worth Drive, north of Eagle Drive, Denton, Texas
Sale Price/Effective Sale Price:		\$2,000,000	\$452,000	\$3,200,000	\$943,750
Sale Date:		7/29/2016	12/17/2014	6/24/2014	4/30/2014
Building Size (SF):	12,545	11,300	2,646	18,292	7,500
Price/Acre:	N/A	\$176.99	\$170.82	\$174.94	\$125.83
Sales Adjustment					
		Sale #1	Sale #2	Sale #3	Sale #4
Property Rights Conveyed		Comparable	Comparable	Comparable	Comparable
Financing Terms		Comparable	Comparable	Comparable	Comparable
Conditions of Sale		Comparable	Comparable	Comparable	Comparable
Market Conditions		Comparable	Inferior	Inferior	Inferior
Other Adjustments					
		Sale #1	Sale #2	Sale #3	Sale #4
Location		Superior	Superior	Superior	Inferior
Access		Comparable	Comparable	Superior	Inferior
Size		Comparable	Superior	Inferior	Superior
Site Utility		Inferior	Comparable	Inferior	Inferior
Age/Condition		Inferior	Inferior	Superior	Comparable
Net Other Adjustments		Comparable	Comparable	Comparable	Inferior

**OVERVIEW OF ADJUSTMENTS**

Potential adjustments include the following categories, which typically affect sale prices. For each element of comparison, each sale has been rated as being superior, comparable, or inferior to the subject (see comparison grid on previous page).

***PROPERTY RIGHTS CONVEYED***

This adjustment considers the transfer of property rights, such as differences between properties owned in fee simple and in leased fee.

***FINANCING TERMS***

This adjustment considers the financing terms of a transaction, as compared to what is typical in the market.

***CONDITIONS OF SALE***

This adjustment considers the motivations of either the buyer or the seller in a transaction.

***MARKET CONDITIONS***

Real estate values normally change over time. This adjustment considers market differences occurring between the effective date of the appraisal and the sale date of the comparable, when values have appreciated or depreciated.

***LOCATION***

This adjustment considers the surrounding area influences, adjoining land uses, and overall location within the market area.

***ACCESS***

This adjustment considers access to the subject including the availability and amount of road frontage and multiple roadway access.

***SIZE***

This adjustment considers size. Typically, smaller buildings will bring higher unit sales prices when compared to larger buildings with similar characteristics.

***SITE UTILITY***

This adjustment considers physical features of the property's site.

***AGE/CONDITION***

This adjustment considers overall and effective age of the improvements, as well as their condition at the time of sale.



The above sales range from \$125.83 per SF to \$176.99 per SF. These sales are the most comparable to the subject in the market area. The appraisers have analyzed the available data, and have applied adjustments accordingly.

Based upon on our analysis of the comparables considered above, the appraisers estimate the market value to be \$175.00 per SF as of March 30, 2017. A summary of this analysis is contained in Section III of this report. The following is a summary of the whole property valuation.

SALES COMPARISON VALUATION SUMMARY	
Subject Property:	
12,545 SF @ \$175.00/SF	\$ 2,195,375
<b>TOTAL VALUE AS A UNIT</b>	<b>\$2,195,375</b>

## INCOME CAPITALIZATION APPROACH

The income capitalization approach converts a property's anticipated net operating income into a value indication through capitalization. The steps taken to apply the income capitalization approach are:

- Analyze the revenue potential of the property.
- Make deductions for vacancy/collection loss and operating expenses.
- Capitalize or use the discounted cash flow method to convert the anticipated net income to an indication of value.

### *CURRENT RENTS AND VACANCY*

The subject property contains 12,545 square feet and is currently 100% occupied. The property owner provided the current leases for the subject property, as summarized below.

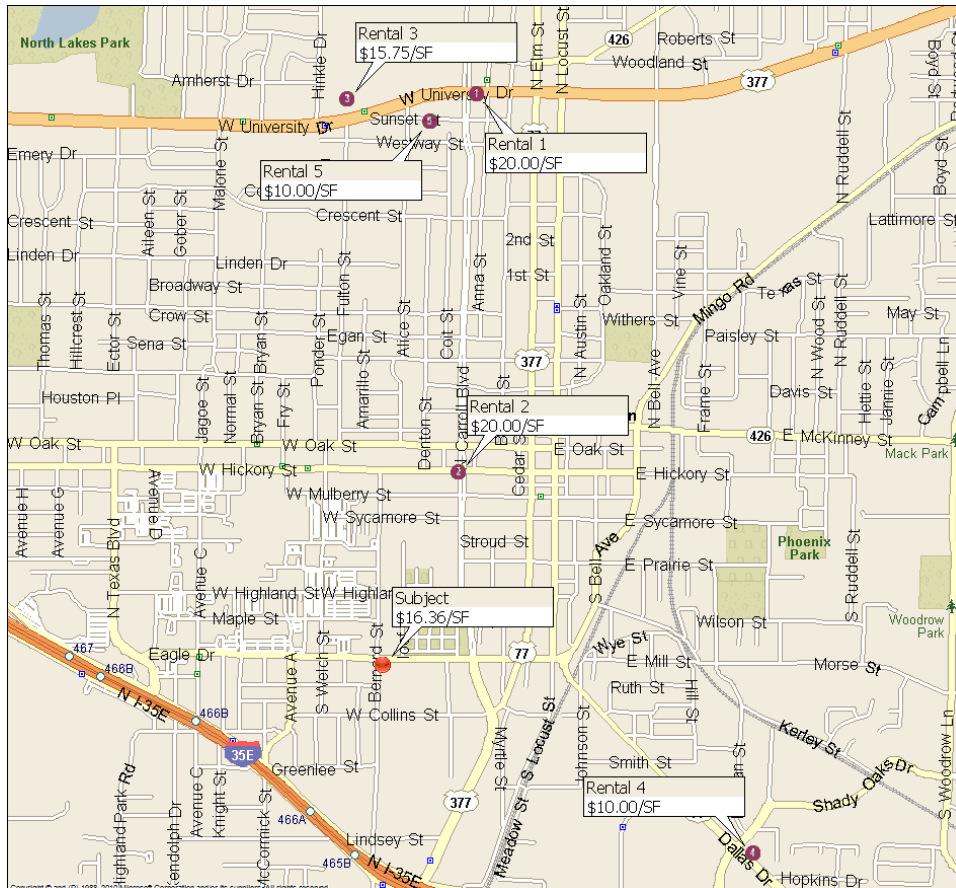
Unit	SF	Contract Rent Monthly	Contract Rent Annual	Contract Rent/SF
Restaurant	3,680	\$ 4,200	\$ 50,400	\$13.70
Retail				
801		\$ 4,200	\$ 50,400	
807		\$ 3,200	\$ 38,400	
811		<u>\$ 5,500</u>	<u>\$ 66,000</u>	
Subtotal/Avg.	8,865	\$12,900	\$154,800	\$17.46
Total/Avg.	12,545	\$17,100	\$205,200	\$16.36

As seen above, total annual income is \$205,200, with an average rental rate of \$16.36 per square foot. The subject leases on a triple net basis, which means the tenants are responsible for all operating costs.

### *MARKET RENT ANALYSIS*

To estimate market rent, we have analyzed the comparable rentals summarized below.

SUMMARY OF COMPARABLE RENTALS		
<u>Rent No.</u>	<u>Property</u>	<u>Rent per SF</u>
1	University Place (Average Rents) 401-415 University Drive, Denton, Texas	\$20.00
2	Lone Star Taps & Caps 505 W Hickory Street, Denton, Texas	\$20.00
3	The Liquor Outpost 1010 W. University Drive, Denton, Texas	\$15.75
4	Stinky's Smoke Shop 1113 Dallas Drive, Denton, Texas	\$10.00
5	Sunset Center (Average Rents) 601-715 Sunset Street, Denton, Texas	\$10.00
<b>Subject: Located at the southeast corner of Eagle Drive &amp; Bernard Street, Denton, Texas</b>		<b>\$16.36</b>



The above comparable rentals range from \$10.00 per SF to \$20.00 per SF. Based upon our analysis of the comparable rents, the appraiser estimates the market rental rate to be \$17.00 per square foot, with an expense reimbursement of \$4.00 per square foot. This results in a potential gross income (PGI) as follows:

<b>POTENTIAL GROSS INCOME</b>	
12,545 SF @ \$17.00/SF	\$ 213,265
Expense Reimbursements (NNN's)	\$ 50,180
<b>POTENTIAL GROSS INCOME</b>	<b>\$ 263,445</b>

### ***VACANCY AND COLLECTION LOSS***

Based on trends in the market, local vacancy rates, and property specific characteristics, we estimate the vacancy for the subject at 5%. By deducting vacancy and collection loss from potential gross income, we arrive at an effective gross income (EGI).

<b>EFFECTIVE GROSS INCOME</b>	
Potential Gross Income	\$ 263,445
Vacancy @ 5%	-\$ 13,172
<b>EFFECTIVE GROSS INCOME</b>	<b>\$ 250,273</b>

### ***EXPENSE ESTIMATE***

Most expenses are reimbursed based on a triple net rent structure. Expenses included are taxes, insurance, maintenance, reserves, and management fee. Based on the market data below, the appraisers conclude to expenses of \$5.00 per square foot.

<b>Expense Comparable Data</b>			
Location	7650 IH-35E	401-514 University	601-715 Sunset St
City	Corinth	Denton	Denton
Expenses per SF	\$6.80	\$5.09	\$4.12

### ***NET OPERATING INCOME (NOI)***

By subtracting expenses from effective gross income, we arrive at a net operating income (NOI).

<b>NET OPERATING INCOME</b>	
Effective Gross Income	\$ 250,273
Expenses	-\$ 62,725
<b>NET OPERATING INCOME</b>	<b>\$ 187,548</b>

***DIRECT CAPITALIZATION***

In order to estimate a capitalization rate applicable to the NOI of the subject, we have compiled the following reported capitalization rates from the market.

<b>Capitalization Rate Sales</b>		
Name/Location	Sale	Cap Rate
1300 S Loop 288, Denton	2/26/16	6.30%
401-415 University Dr., Denton	6/24/14	8.25%
601-715 Sunset St., Denton	8/29/13	9.56%
2900 Wind River Lane, Denton	5/28/13	9.25%
Average Cap Rate		8.34%

These sales show capitalization rates ranging from 6.30% to 9.56%, with an average of 8.34%. Based upon our analysis, the appraiser estimates a capitalization rate of 8.00%.

***VALUE INDICATION BY INCOME APPROACH***

By applying the capitalization rate to the NOI, we arrive at a value indication by the income approach as shown in the table below.

<b>WHOLE PROPERTY VALUATION SUMMARY</b>	
Net Operating Income	\$ 187,548
CAP Rate	@ 8.00%
Estimated Value by Income Approach	\$2,344,350

The values indicated by our analyses are:

Summary of Value Indications	
Cost Approach	N/A
Sales Comparison Approach	\$2,195,375
Income Capitalization Approach	\$2,344,350

Based upon the previously discussed information, it is the opinion of the appraiser that the subject property has an estimated market value, as of March 31, 2017 of:

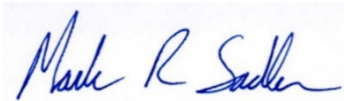
**\$2,300,000**

**TWO MILLION THREE HUNDRED THOUSAND DOLLARS.**

The appraisers have retained all information regarding this appraisal in the file. Please contact me if I can be of further assistance in this matter.

Sincerely,

**O'BRIEN REALTY ADVISORS**  
**REAL ESTATE CONSULTANTS & APPRAISERS**



Mark R. Sadler  
State of Texas Certification #TX-1380142-G



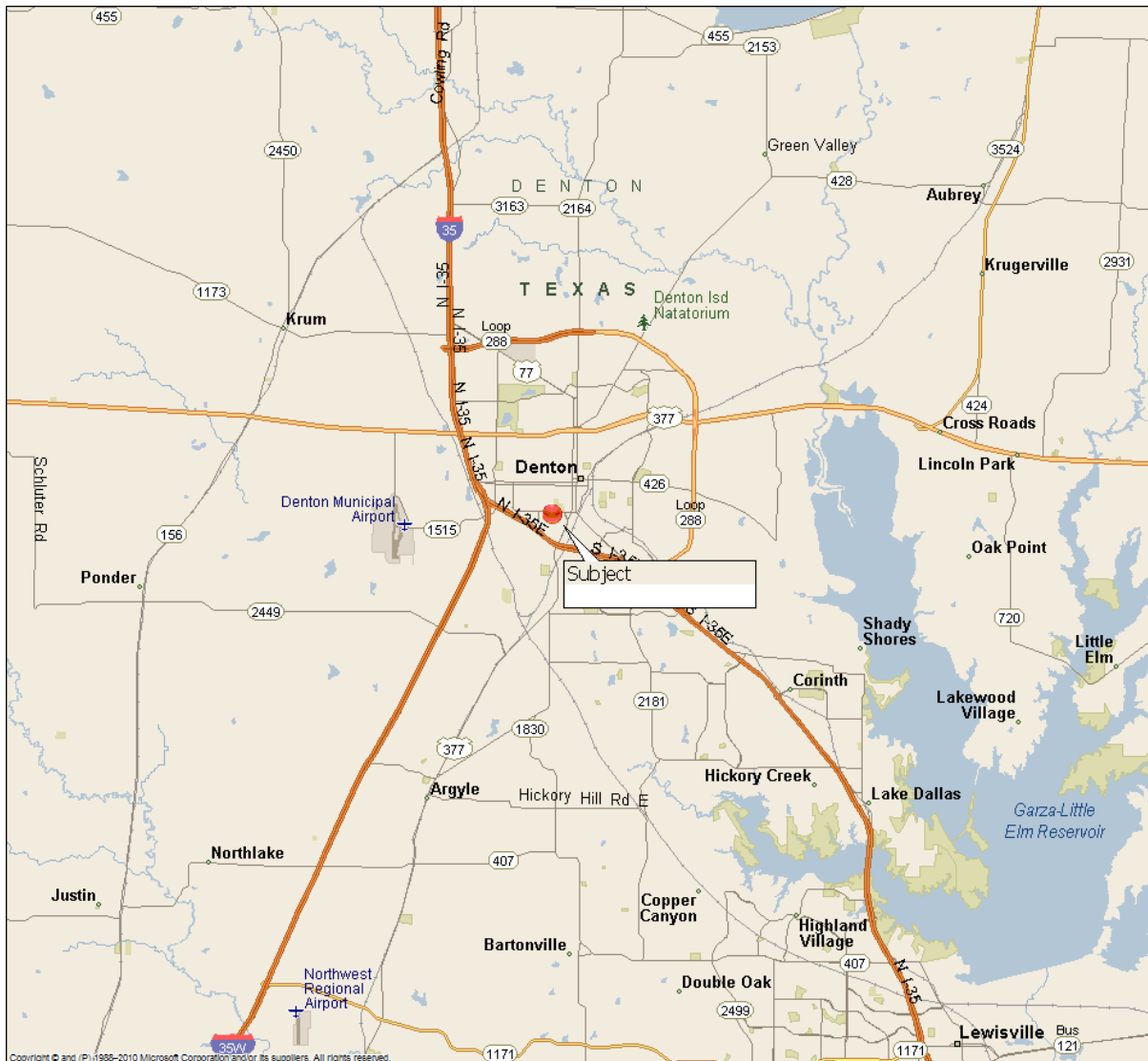
Mike C. O'Brien  
State of Texas Certification #TX-1331171-G

The value conclusions presented in this report are subject to the following special contingent and limiting conditions.

- The appraisers were unable to get into one of the tenant spaces. It is assumed that this space is in a condition consistent with the age and condition of the overall property.

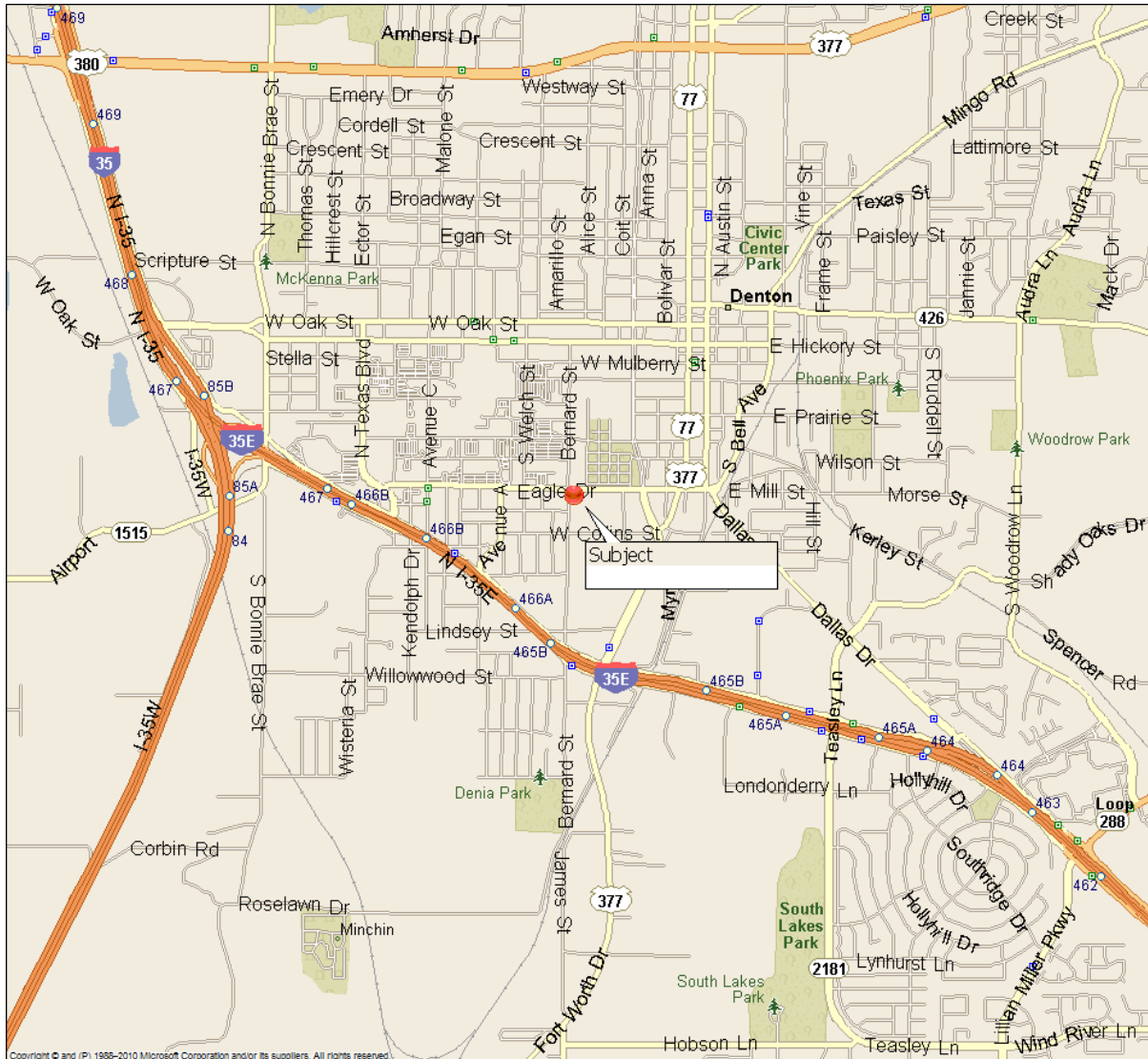
## SECTION II - EXHIBITS

## AREA MAP

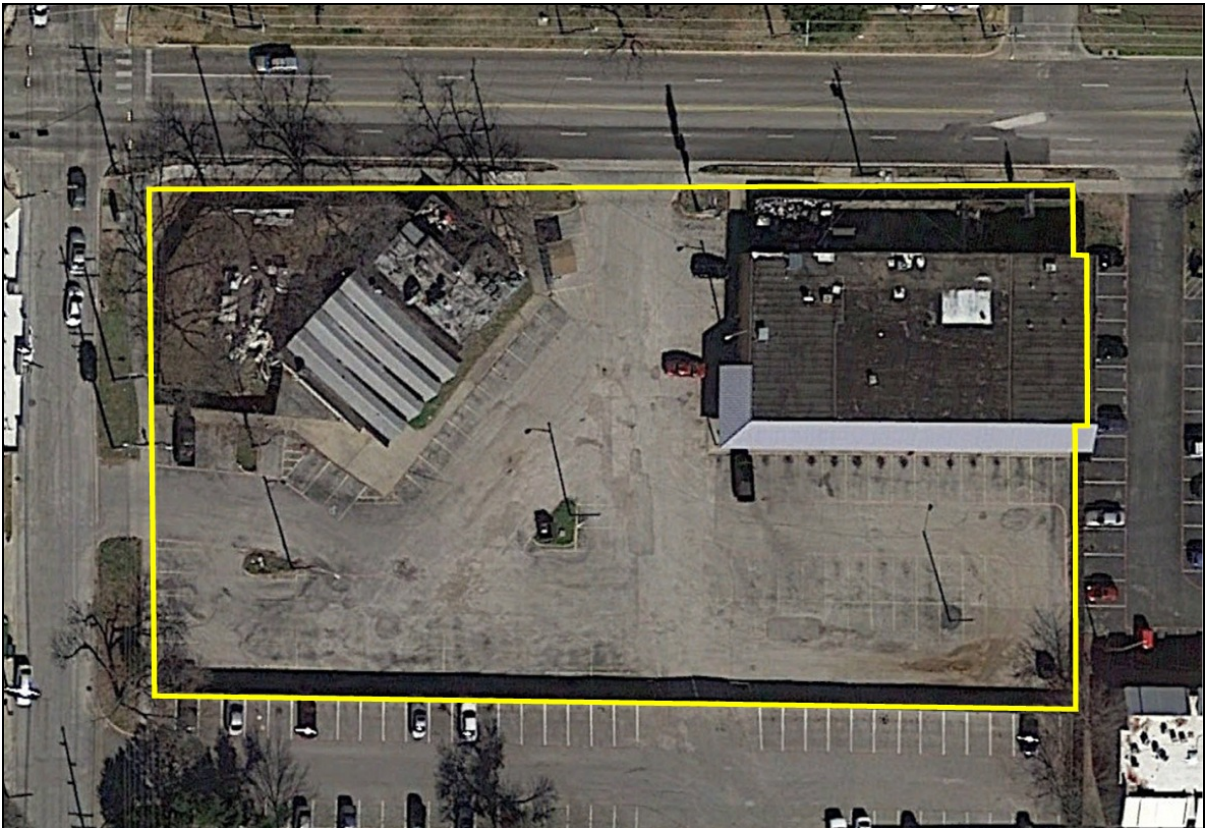




## MARKET AREA MAP



## PROPERTY AERIAL

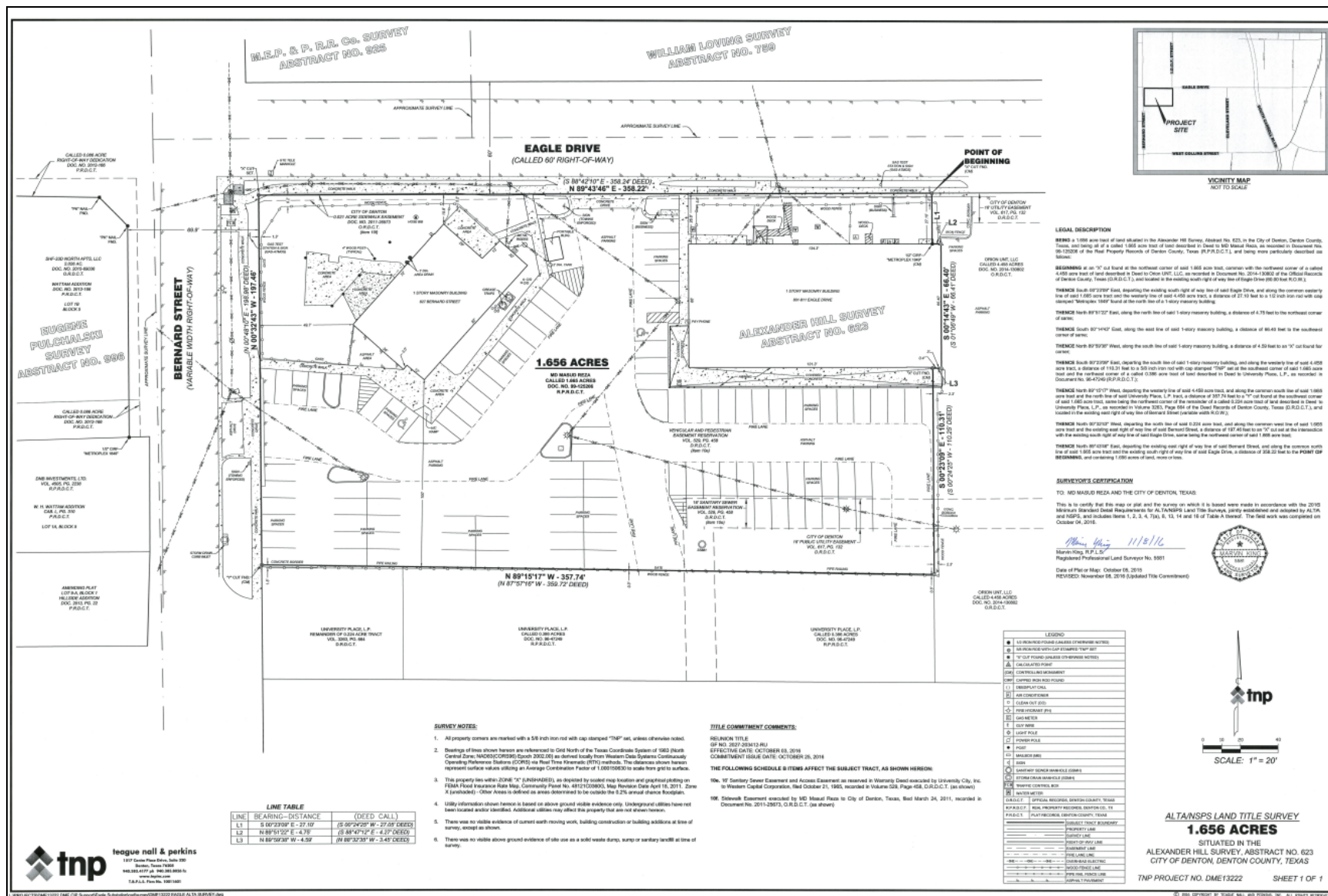


Source: Google Earth (Imagery Date: 1/29/2016)

\*LOCATION OF BOUNDARIES ARE APPROXIMATE

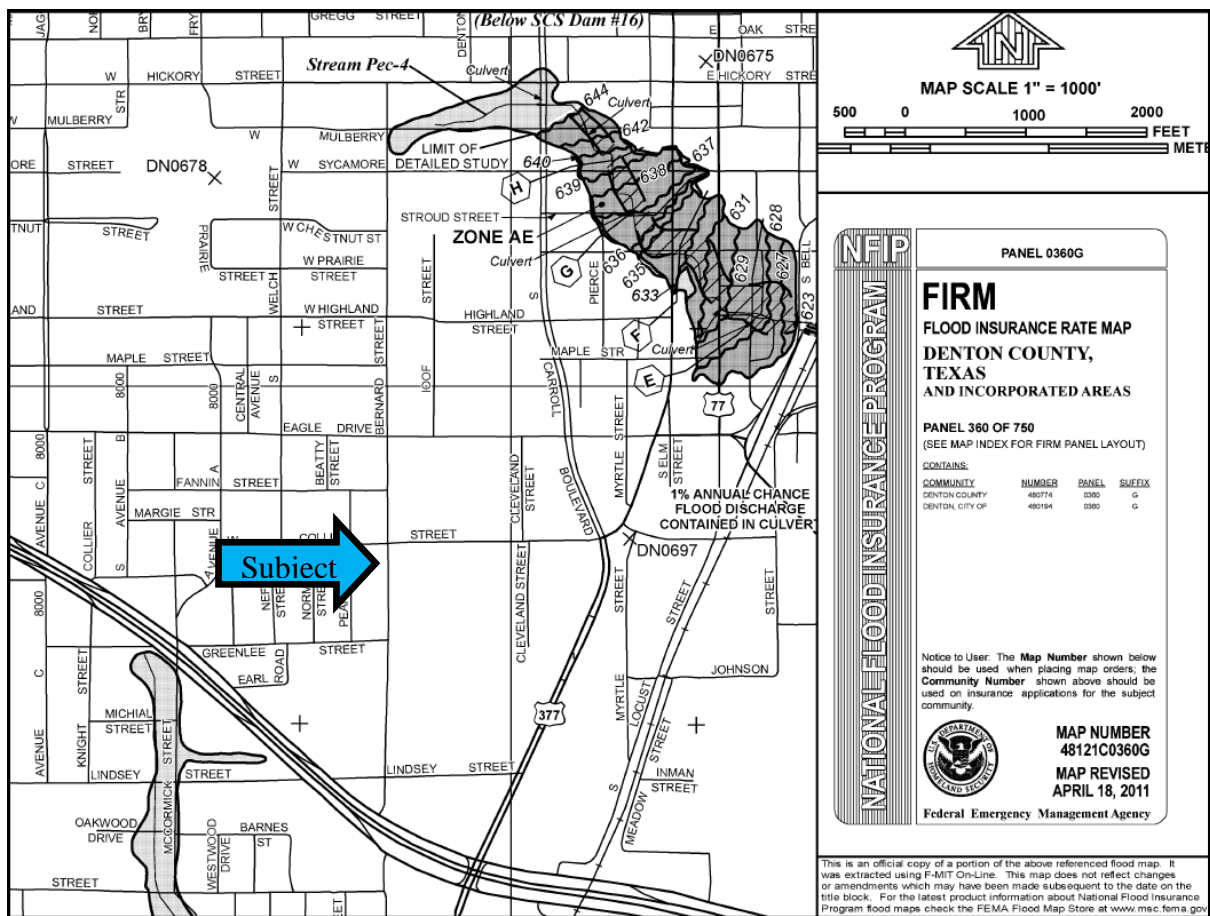
*DUE TO THE ANGLE OF THE AERIAL, SOME IMPROVEMENTS MAY ERRANTLY APPEAR TO BE ENCROACHING ON ADJOINING PROPERTIES*

## SURVEY & LEGAL DESCRIPTION





## FLOOD PLAIN MAP



## SUBJECT PHOTOS



Northeast corner of the property looking west along Eagle Drive.



Looking south at the subject's entrance from Eagle Drive.

## SUBJECT PHOTOS



Northwest corner of the property looking south along Bernard Street.



Looking east at the subject's entrance from Bernard Street.



## SUBJECT PHOTOS



Looking northwest at the restaurant building

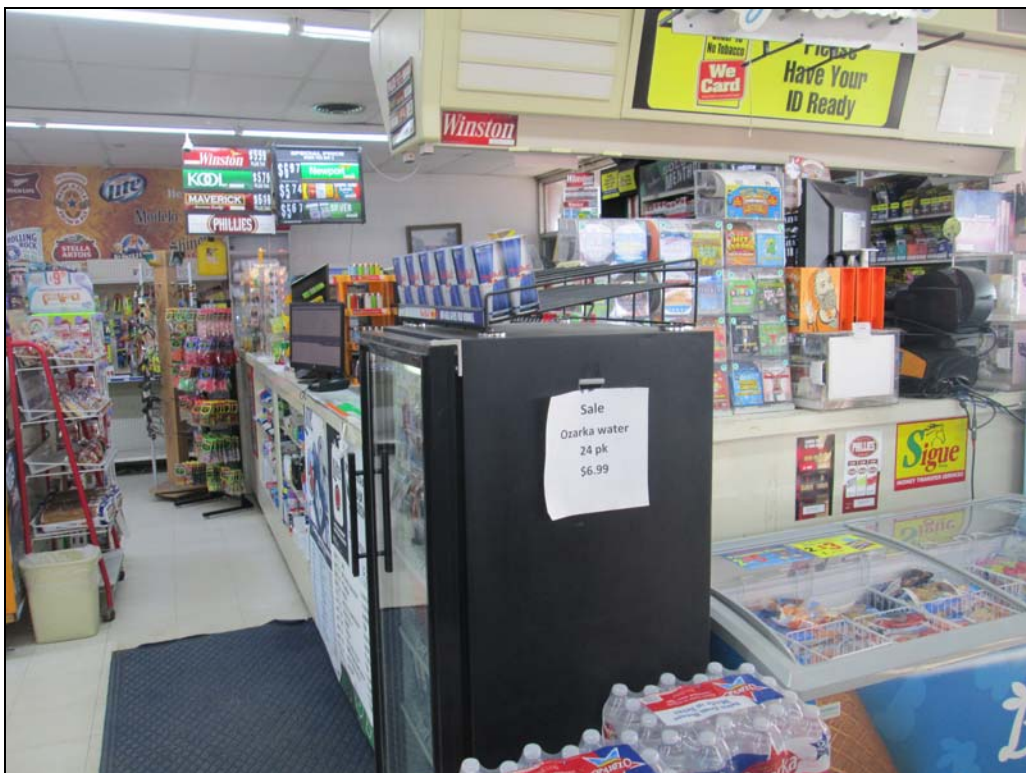


Looking at the interior of the restaurant building.

## SUBJECT PHOTOS



Looking northeast at the retail building.



Looking at the interior of Unit 811 of the retail building.



## SUBJECT PHOTOS



Looking at the interior of Unit 807 of the retail building.



Looking northeast at the overall property (March 31, 2017).

## SECTION III - COMPARABLE SALES

**Improved Sale No. 1**



**Property Identification**

**Property Type**

Retail

**Location**

Northwest corner of Oak Street & Cedar Street, Denton,  
Denton County, Texas

**Sale Data**

**Grantor**

Sun Tok Burt

**Grantee**

216 West Oak, LLC

**Sale Date**

July 29, 2016

**Document**

2016-92469, Denton County Deed Records

**Property Rights**

Fee simple

**Financing**

Cash to seller

**Verification**

Confidential

**Sale Price**

\$2,000,000

**Physical Data**

**Land Size**

0.369 Acres, or 16,077 SF

**Building Type**

Multi-Tenant

**Building SF**

11,300

**Year Built**

1900 (with renovations)

**Indicators**

**Sale Price/SF**

\$176.99

**Land to Building Ratio**

1.42:1

**Occupancy at Sale**

100%

**Remarks**

Tenants include: The Labb Sports Bar & Restaurant, Sues' Inc.  
& Piccolo Investment Consulting

**Improved Sale No. 2**



**Property Identification**

**Property Type**

Retail

**Location**

Southeast corner of Sunset Street & Alice Street, Denton,  
Denton County, Texas

**Sale Data**

**Grantor**

Jean Pierre

**Grantee**

Cheung Pun, LLC

**Sale Date**

December 17, 2014

**Document**

2014-129141, Denton County Deed Records

**Property Rights**

Fee simple

**Financing**

Cash to seller

**Verification**

Alfred Goh, Broker

**Sale Price**

\$452,000

**Physical Data**

**Land Size**

0.437 Acres, or 19,040 SF

**Building Type**

Single-Tenant

**Building SF**

2,646

**Year Built**

1970

**Indicators**

**Sale Price/SF**

\$170.82

**Land to Building Ratio**

7.20:1

**Occupancy at Sale**

100%

**Remarks**

Tenant is Eskimo Hut, a beer/wine/tobacco convenience store.

**Improved Sale No. 3**



**Property Identification**

**Property Type**

Retail

**Location**

Southeast corner of University Drive & Carroll Blvd., Denton, Denton County, Texas

**Sale Data**

**Grantor**

CGCMT 2008-C7 Denton Retail, LLC

**Grantee**

J. Evans Partners 380, LP

**Sale Date**

June 24, 2014

**Document**

2014-61386, Denton County Deed Records

**Property Rights**

Fee simple

**Financing**

Cash to seller

**Verification**

Tim Axelrod, Broker

**Sale Price**

\$3,200,000

**Physical Data**

**Land Size**

1.348 Acres, or 58,720 SF

**Building Type**

Multi-Tenant

**Building SF**

18,292

**Year Built**

1974 (renovated in 2005)

**Indicators**

**Sale Price/SF**

\$174.94

**Land to Building Ratio**

3.21:1

**Occupancy at Sale**

90%

**Remarks**

Tenants include: Starbucks, Palm Beach Tan, Quiznos & Great Clips

**Improved Sale No. 4**



**Property Identification**

**Property Type**

Retail

**Location**

Along the east side of Fort Worth Drive, north of Eagle Drive,  
Denton, Denton County, Texas

**Sale Data**

**Grantor**

Prayer Stop

**Grantee**

Lessek Properties, LLC

**Sale Date**

April 30, 2014

**Document**

2014-39652, Denton County Deed Records

**Property Rights**

Fee simple

**Financing**

Cash to seller

**Verification**

Greg Johnson, Broker

**Sale Price**

\$943,750

**Physical Data**

**Land Size**

0.775 Acres, or 33,777 SF

**Building Type**

Multi-Tenant

**Building SF**

7,500

**Year Built**

1938/1995 (renovated in 2014)

**Indicators**

**Sale Price/SF**

\$125.83

**Land to Building Ratio**

4.50:1

**Occupancy at Sale**

100%

**Remarks**

Tenants include: Eagleton Photography, Synergy Home Care &  
IMPress Graphics

## SECTION IV - CERTIFICATION OF THE APPRAISAL

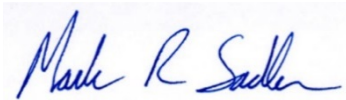


We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved.
4. We have performed no services, as an appraiser or in any other capacity, regarding the property that is subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the *Code of Professional Ethics and Standards of Professional Appraisal Practice* of the Appraisal Institute, which includes the *Uniform Standards of Professional Appraisal Practice (USPAP)*.
9. Mike C. O'Brien and Mark R. Sadler made a personal inspection of the property that is the subject of this report.
10. No one has provided significant professional assistance to the persons signing this report.
11. This appraisal is not based on a requested minimum valuation, a specific valuation, or the approval of a loan.



12. We have not relied on unsupported conclusions relating to characteristics such as race, color, religion, national origin, gender, marital status, familial status, age, receipt of public assistance income, handicap, or an unsupported conclusion that homogeneity of such characteristics is necessary to maximize value.
13. We have extensive experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.
14. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
15. As of the date of this report, Mark R. Sadler and Mike C. O'Brien have completed the Standards and Ethics Education Requirement for Candidates of the Appraisal Institute.



Mark R. Sadler  
*State of Texas Certification #TX-1380142-G*



Mike C. O'Brien  
*State of Texas Certification #TX-1331171-G*

## SECTION V - ASSUMPTIONS AND LIMITING CONDITIONS AND DEFINITIONS

## **ASSUMPTIONS AND LIMITING CONDITIONS**

In conducting this appraisal, we have assumed, except as otherwise noted in our report, as follows:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property. This excludes the project which is addressed in this report.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
5. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
6. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the affect of subsequent events.
7. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
8. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
9. We are not required to give testimony or to be in attendance in court or any government or other hearing with reference to the property without written contractual arrangements having been made relative to such additional employment.
10. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be

scaled accurately for size. The appraisal covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.

11. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
12. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters, geologic considerations, such as soils and seismic stability, and civil, mechanical, electrical, structural and other engineering and environmental matters.
13. The distribution of the total valuation in this report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. This appraisal report shall be considered only in its entirety. No part of this appraisal report shall be utilized separately or out of context.
14. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the appraisers.
15. Information, estimates and opinions contained in this report, obtained from sources outside of the office of the undersigned, are assumed to be reliable and have not been independently verified.
16. Any income and expense estimates contained in this appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
17. No assurance is provided that the methodology and/or results of the appraisal will not be successfully challenged by the Internal Revenue Service. In particular, the methodology for appraising certain types of properties, including without limitation, government subsidized housing, which has been the subject of debate.

18. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
19. No consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
20. The current purchasing power of the dollar is the basis for the value stated in our appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
21. The value found herein is subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
22. The analyses contained in this report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.
23. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of this property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. In as much as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, we cannot comment on compliance to ADA. Given that compliance can change with each owner's financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. Specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
24. This appraisal report has been prepared for the exclusive benefit of Freese and Nichols, Inc.; Denton Municipal Electric (DME); 7 Arrows Land Staff, LLC; and their agents, representatives and assigns. It may not be used or relied upon by any other party. All parties who use or rely upon any information in this report without our written consent do so at their own risk.

25. No studies have been provided to us indicating the presence or absence of hazardous materials on the site or in the improvements, and our valuation is predicated upon the property being free and clear of any environment hazards.
26. We have not been provided with any evidence or documentation as to the presence or location of any wetlands. Wetlands generally include swamps, marshes, bogs, and similar areas. We are not qualified to detect such areas. The presence of wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.

## **SPECIAL ASSUMPTIONS AND LIMITING CONDITIONS**

In addition to the previously discussed assumption and limiting conditions, the appraisers are compelled to outline the following special assumption and limiting conditions.

1. The appraisers were unable to get into one of the tenant spaces. It is assumed that this space is in a condition consistent with the age and condition of the overall property.

## DEFINITIONS

The definitions included in this Addendum have been extracted, solely or in combination, from definitions and descriptions printed in:

- The Uniform Standards of Professional Appraisal Practice 2016-2017 Edition (USPAP);
- The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015 (Dictionary);
- The Appraisal of Real Estate, Fourteenth Edition, Appraisal Institute, Chicago, Illinois, 2013; and/or

### *Appraisal*

The act or process of developing an opinion of value; an opinion of value. (USPAP)

### *Across the Fence Method*

A land valuation method often used in the appraisal of corridors. The across the fence method is used to develop a value opinion based on comparison to abutting land. (Dictionary)

### *Assemblage*

The combining of two or more parcels, usually but not necessarily contiguous, into one ownership or use. (Dictionary)

### *Effective Date of the Appraisal*

The date at which the value opinion in an appraisal applies, which may or may not be the date of inspection; the date of the market conditions that provide the context for the value opinion. Current appraisals occur when the effective date of the appraisal is contemporaneous with the date of the report. Prospective value opinions (effective date of the appraisal subsequent to the date of the report) are intended to reflect the current expectations and perceptions along with available factual data. Retrospective value opinions are likely to apply as of a specific historic date; the opinions are intended to reflect the expectations and perceptions of market participants at the specified date, along with available factual data. Data subsequent to the effective date may be considered in estimating a retrospective value as a confirmation of trends. (Dictionary and USPAP)

### *Fee Simple Estate*

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. (Dictionary)



*Insurable Value*

The Appraisal Institute defines insurable value as the value based on the replacement and/or reproduction cost of physical items that are subject to loss from hazards. It is that portion of an asset or asset group that is acknowledged or recognized under the provisions of an applicable loss insurance policy. *Marshall & Swift* defines insurable value as the “replacement or reproduction cost less deterioration and non-insurable items.” (*MVS* and *Dictionary*)

*Leased Fee Estate*

An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the leased fee are specified by contract terms contained within the lease. (*Dictionary*)

*Leasehold Estate*

The interest held by the lessee (the tenant or renter) through a lease conveying the rights of use and occupancy for a stated term under certain conditions. (*Dictionary*)


*Market Value*

**Market value** is the price which the property would bring when it is offered for sale by one who desires, but is not obliged to sell, and is bought by one who is under no necessity of buying it, taking into consideration all of the uses to which it is reasonably adaptable and for which it either is or in all reasonable probability will become available in the reasonable future.

*City of Austin v. Cannizzo*, 153 Tex. 324, 267 S.W.2d 808, 815 (1954).

## SECTION VI - QUALIFICATIONS OF THE APPRAISERS

**PROFESSIONAL QUALIFICATIONS OF  
MIKE C. O'BRIEN**

<p><b>EXPERIENCE:</b></p> 	<p><b>Mike C. O'Brien</b> is President of O'Brien Realty Advisors, LLC, a full service real estate consulting and appraisal firm. Mr. O'Brien has performed appraisals on various properties including, but not limited to, shopping centers, apartment complexes, industrial facilities, raw and developed land, office towers and complexes, restaurants, and mixed-use developments. Mr. O'Brien has valued and consulted on properties in Alabama, Arkansas, Illinois, Louisiana, Mississippi, Missouri, New Mexico, Ohio, Oklahoma, Texas and Wisconsin.</p> <p>He has provided consultation, feasibility studies, and has worked extensively on complex eminent domain assignments of all types of properties. Mr. O'Brien has worked on valuations of easement interest, partial interest, and undivided interest. Assignments have also included consultation for both ad valorem and estate tax purposes. He has testified in eminent domain proceedings before Texas courts and before numerous Special Commissioners hearings in various counties throughout Texas.</p> <p>Mr. O'Brien is a 1997 graduate from The University of Texas in Austin with a Bachelor of Science degree in Economics and a minor in Business Foundations. Prior to the formation of his company, he was a Principal with Korman O'Brien, LLC. Mr. O'Brien was a Senior Analyst with Integra Realty Resources' Fort Worth office from January 2003 to 2008. Prior to his work with Integra, Mr. O'Brien trained with Lewis Realty Advisors and Arthur Andersen and Company in Houston, Texas as a real estate associate on various appraisal projects. During college, he trained with the development firm of Barshop and Oles, Inc. in Austin, Texas as a real estate intern.</p> <p>Currently, Mr. O'Brien is a candidate progressing toward obtaining his MAI designation with the Appraisal Institute.</p>
<p><b>PROFESSIONAL ACTIVITIES:</b></p>	<ul style="list-style-type: none"> <li>▪ Texas State Certified General Real Estate Appraiser Certificate No. TX-1331171-G Also licensed in Arkansas, Louisiana, New Mexico and Oklahoma</li> <li>▪ Appraisal Institute – Candidate for Designation Program -Public Relations Committee, Central Texas Chapter (2010-2012)</li> <li>▪ Member – International Right of Way, Chapter 36 -Membership Committee Chairman (2013 – 2014) -Steve Baggett Memorial Golf Tournament Committee Co-Chair (2013 &amp; 2015)</li> <li>▪ Member – Greater Fort Worth Real Estate Council -Membership Committee (2011 – 2014)</li> <li>▪ Member – Tarrant County Bar Association</li> <li>▪ Member – Fort Worth Chamber of Commerce</li> <li>▪ Leadership Fort Worth, Class of 2008</li> <li>▪ Overton Park Neighborhood Association – Parks Committee (2009 – 2012)</li> </ul>
<p><b>EDUCATION:</b></p>	<ul style="list-style-type: none"> <li>▪ Bachelor of Science, Economics, Minor in Business Foundations The University of Texas at Austin, 1997</li> <li>▪ Coursework accredited by the Appraisal Institute, The University of Texas, and the State of Texas</li> </ul>

<b>Texas Appraiser Licensing and Certification Board</b>		
P.O. Box 12188 Austin, Texas 78711-2188		
<b>Certified General Real Estate Appraiser</b>		
Number:	<b>TX 1331171 G</b>	
Issued:	<b>07/01/2016</b>	Expires: <b>06/30/2018</b>
Appraiser:	<b>MICHAEL C OBRIEN</b>	
<p>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.</p>		
		 Douglas E. Oldmixon Commissioner

**PROFESSIONAL QUALIFICATIONS OF  
MARK R. SADLER**

<p><b>EXPERIENCE:</b></p> 	<p><b>Mark R. Sadler</b> is a Senior Analyst with O'Brien Realty Advisors, LLC, a full service real estate consulting and appraisal firm. Mr. Sadler has performed valuation analysis on various properties including, but not limited to, industrial buildings, retail buildings, various special-purpose facilities, mixed-use properties and has worked extensively on eminent domain assignments of all types of properties.</p> <p>Prior to joining O'Brien Realty Advisors, LLC, Mr. Sadler was a Senior Analyst with Korman O'Brien, LLC and prior to that was an Analyst for four years with Integra Realty Resources' Fort Worth Office.</p> <p>Mr. Sadler is a 2005 graduate of Texas A&amp;M University in College Station with a Bachelor of Business Administration degree in Management. In 2006, Mr. Sadler earned his Master's degree of Land Economics and Real Estate from Texas A&amp;M University in College Station. Currently, Mr. Sadler is a candidate progressing toward obtaining his MAI designation with the Appraisal Institute.</p>
<p><b>PROFESSIONAL ACTIVITIES:</b></p>	<ul style="list-style-type: none"> <li>▪ Texas State Certified General Real Estate Appraiser No. TX-1380142-G</li> <li>▪ Appraisal Institute – Candidate for Designation</li> <li>▪ Member – International Right of Way, Chapter 36</li> </ul>
<p><b>EDUCATION:</b></p>	<ul style="list-style-type: none"> <li>▪ Bachelor of Business Administration, Management Texas A&amp;M University, College Station, Texas, 2005</li> <li>▪ Master of Land Economics &amp; Real Estate Texas A&amp;M University, College Station, Texas, 2006</li> <li>▪ Master's Degree Course Work: <ul style="list-style-type: none"> <li>Real Property Valuation</li> <li>Real Estate Appraisal Case Studies</li> <li>Real Property Analysis</li> <li>Commercial Real Estate Law</li> <li>Analysis of Money &amp; Capital Markets</li> <li>Construction Practices</li> <li>Land Economics</li> <li>Real Property Finance</li> <li>Real Estate Development Analysis</li> <li>GIS in Land &amp; Property Management</li> </ul> </li> <li>▪ Additional Appraisal Course Work: <ul style="list-style-type: none"> <li>Standards of Professional Appraisal Practice (USPAP)</li> <li>Business Practices and Ethics</li> <li>Supervisor-Trainee Course for Texas</li> <li>Eminent Domain and Condemnation</li> <li>Valuation of Detrimental Conditions in Real Estate</li> <li>Analyzing Distressed Real Estate</li> <li>General Appraiser Site Valuation &amp; Cost Approach</li> <li>Apartment Appraisal, Concepts &amp; Applications</li> <li>Appraising Small Apartment Properties</li> <li>Appraisal of Assisted Living Facilities</li> <li>Advanced Hotel Appraising – Full Service Hotels</li> </ul> </li> </ul>

**Texas Appraiser Licensing and Certification Board**

P.O. Box 12188 Austin, Texas 78711-2188

**Certified General Real Estate Appraiser**

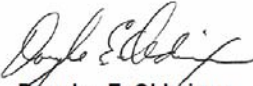
Number: **TX 1380142 G**

Issued: **04/29/2016**

Expires: **04/30/2018**

Appraiser: **MARK RICHARD SADLER**

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