

## REAL ESTATE SUMMARY APPRAISAL REPORT

**PROPERTY:** EXISTING OFFICE BUILDING

**PROPERTY ADDRESS(S):** 213 WEST MAIN STREET, LLANO, LLANO COUNTY, TEXAS 78643

**LCAD PARCEL(S):** 20355, 13450-020-0PTA-0

**OWNER(S):** JAMES T. HUTTO

**OWNER'S ADDRESS:** P. O. BOX 216, LLANO, TEXAS 78643



### Appraisal Prepared For:

Mr. Brenton Lewis  
City Manager  
City of Llano  
301 West Main Street  
Llano, Texas 78643

### As Of:

October 10, 2014

### Prepared By:

CenTex Appraisals  
Donnie L. Smith  
State Certified General Real Estate Appraisers



# Real Estate Appraisers and Consultants

October 20, 2014

Mr. Brenton Lewis  
City Manager  
City of Llano  
301 West Main Street  
Llano, Texas 78643

RE: Appraisal of the office building located at 213 West Main Street, Llano, Llano County, Texas 78643; CenTex File #14361.dls

Dear Mr. Lewis:

In fulfillment of our agreement as outlined in the engagement letter, CenTex Appraisals is pleased to transmit our Summary Appraisal Report developing an opinion of the market value of the "Fee Simple" estate for the above referenced property as of October 10, 2014. The opinion of value reported below is qualified by certain assumptions, limiting conditions, certifications, and definitions which are set forth in the report.

The appraisal is prepared for the City of Llano to aid in purchasing decisions. It may not be distributed to or relied upon by any other persons or entities without written permission of CenTex Appraisals. The appraiser is not required to explain or testify as to appraisal results other than to respond to the client for routine and customary questions.

The following appraisal sets forth the most pertinent data gathered, the techniques employed and the reasoning leading to the opinion of value. The analysis, opinions and conclusions were developed based on, and this report has been prepared in conformance with our interpretation of the guidelines and recommendations set forth of the Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of Appraisal Institute, the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), Title XI Regulations and CenTex Appraisals standards. Based on the analysis contained within the following report, the Market Value of the subject properties is concluded as follows:

**4400 State Highway 29 West, Georgetown, Texas 78628 (512) 864-0590 Office (512) 864-3083 Fax**

**“As Is”**

**TWO HUNDRED THIRTY FOUR THOUSAND DOLLARS**

**(\$234,000)**

Our analysis was conscientiously prepared on the basis of our experience, and the data available, we do not make any warranty of any kind that the conclusions presented will, in fact, be achieved. Additionally, we have not been engaged to evaluate the effectiveness of management, and we are not responsible for future marketing efforts, and other management actions upon which actual results may depend.

We do not take responsibility for any events, conditions, or circumstances affecting the market that exists subsequent to the effective date of this report. This letter is invalid as an opinion of value if detached from the report, which contains the text, exhibits, and addendum. It has been a pleasure to work with you in this assignment. If you have any questions concerning our analysis or if CenTex Appraisals can be of any further service to you, please contact us.

Respectfully submitted,

A handwritten signature in blue ink that reads "Donnie L. Smith". The signature is written in a cursive style with a large initial 'D'.

Donnie L. Smith  
Principal  
CenTex Appraisals  
State Certified (Texas)  
TX-1338244-G

## **SUMMARY OF SALIENT FACTS**

LCAD Parcel Number(s): 20355, 13450-020-0PTA-0

Property Owner(s): James T. Hutto

Location/Address(s): The subject property is located on the north side of West Main Street in the city of Llano, Llano County, Texas. The physical address is 213 West Main Street, Llano, Llano County, Texas 78643

Subject Property Land Area(s): 0.1205 acres (5,248 Sf), according to the LCAD tax records.

Subject Improvement Sizes: The subject property consists of an existing two story office building with a total of 2,295 SF of gross building area (GBA), per the appraiser's measurements. The year of construction is 1971.

Present Zoning: CBD; Central Business District by the city of Llano

Effective Date of Appraisal: October 10, 2014

Property Rights Appraised "Fee Simple"

Highest and Best Use: As Vacant: Office Development  
As Improved: Continued Office Use

## TABLE OF CONTENTS

### **Title Page**

Letter of Transmittal.....	i
Summary of Salient Facts.....	iii
Table of Contents.....	iv
Subject Property Photographs .....	a
Subject Property Maps.....	g

### **DESCRIPTIONS AND ANALYSES**

Purpose and Function of the Appraisal.....	1
Scope of Work.....	6
Definition of Market Value.....	8
Neighborhood Analysis.....	9
Site Analysis.....	10
Improvement Analysis.....	12
Definition of "Highest and Best Use" .....	13

### **VALUATION METHODS**

Direct Sales Comparison Approach .....	16
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### **CERTIFICATE AND FINAL VALUE ESTIMATES** .....21

Limiting Conditions and Assumptions.....	23
Qualifications of the Appraiser.....	30

### **ADDENDUM**

Comparable Improved Sales  
Llano Central Appraisal District - Tax Data  
Subject Property Sales Contract – Partial Copy Only

**SUBJECT PROPERTY PHOTOGRAPHS**











View of subject property interior









**SUBJECT PROPERTY MAPS**



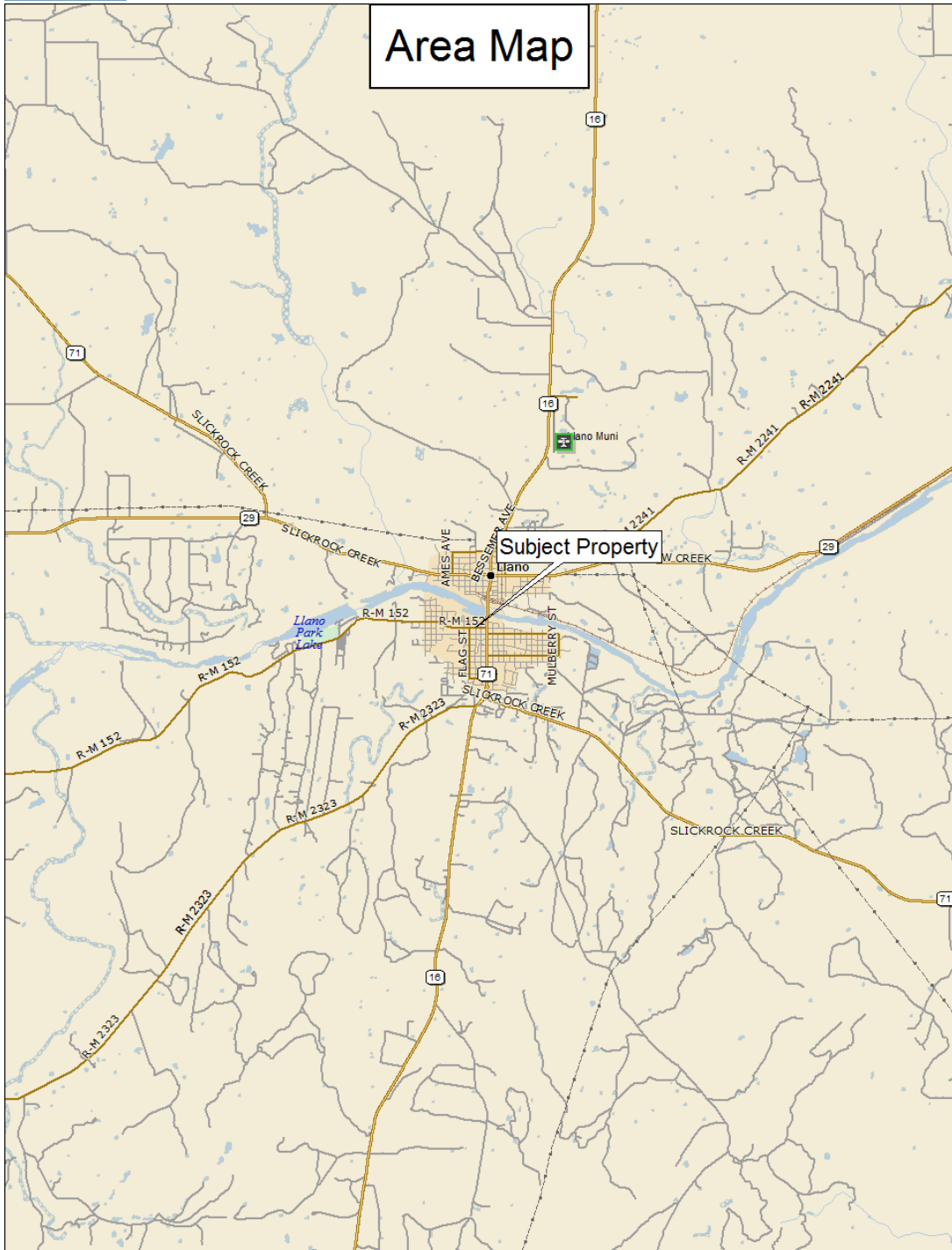
**Aerial Map**



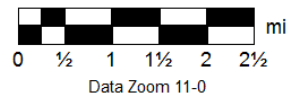


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# Area Map



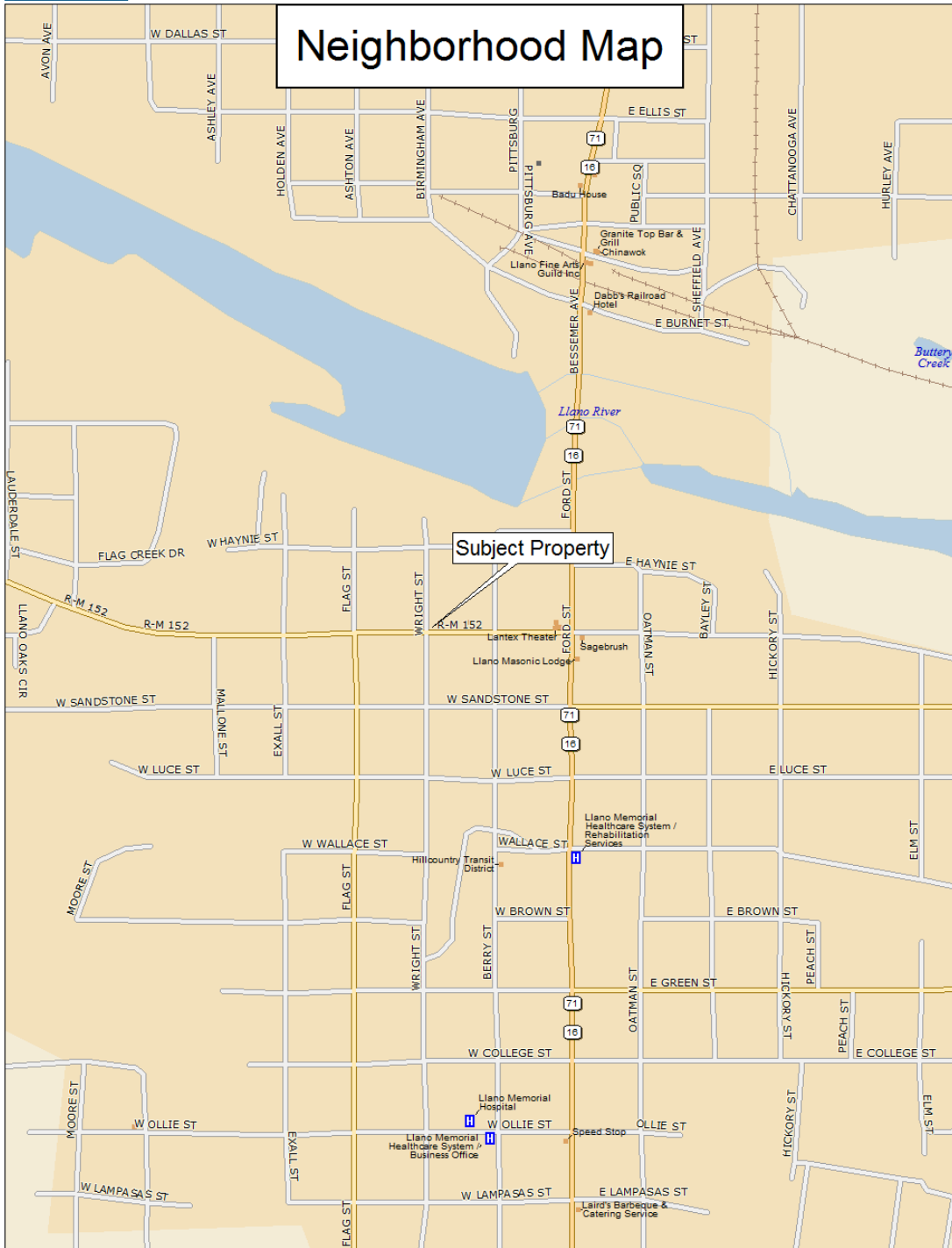
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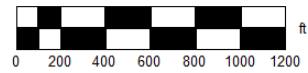
# Neighborhood Map



Data use subject to license.

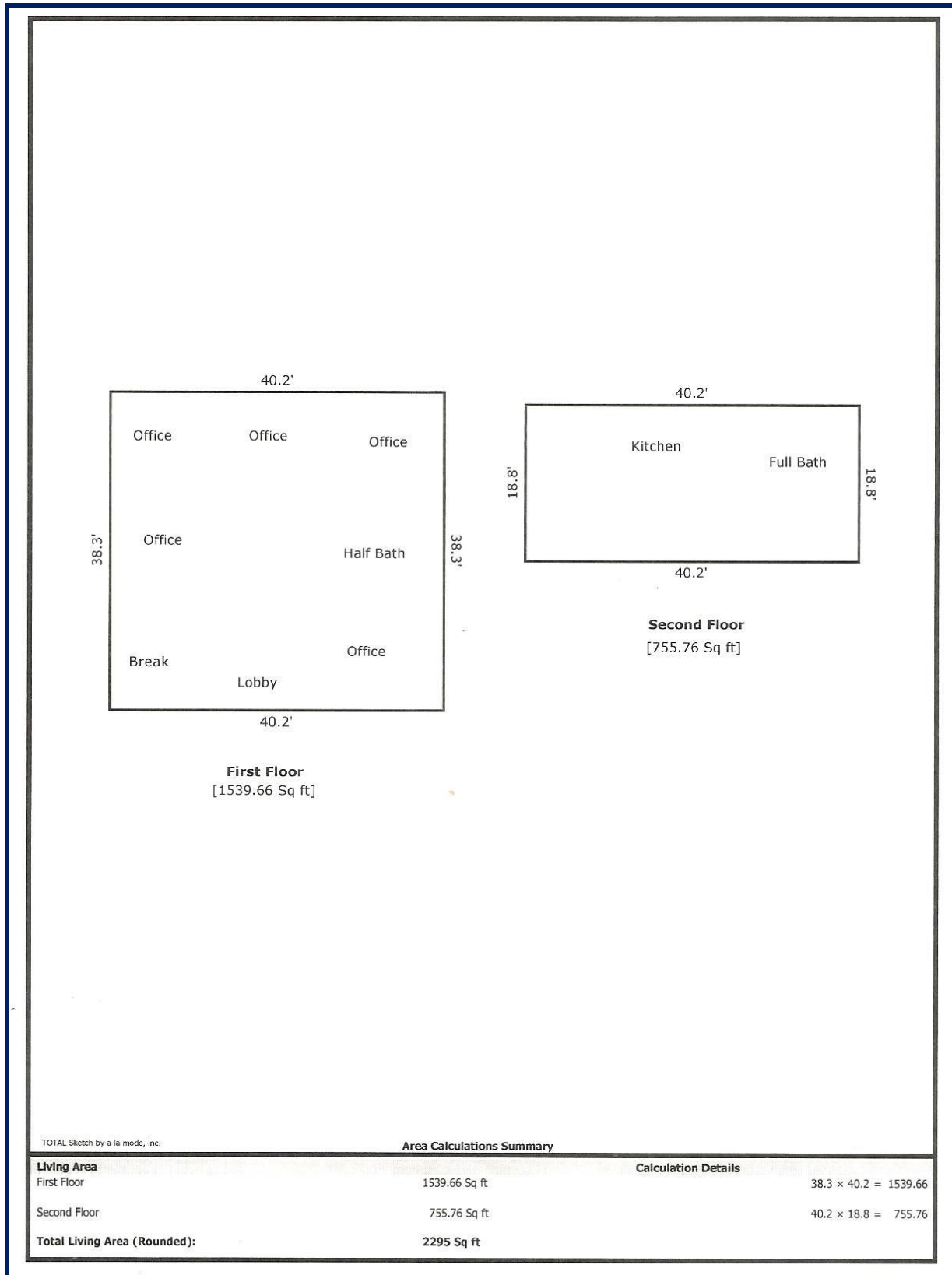
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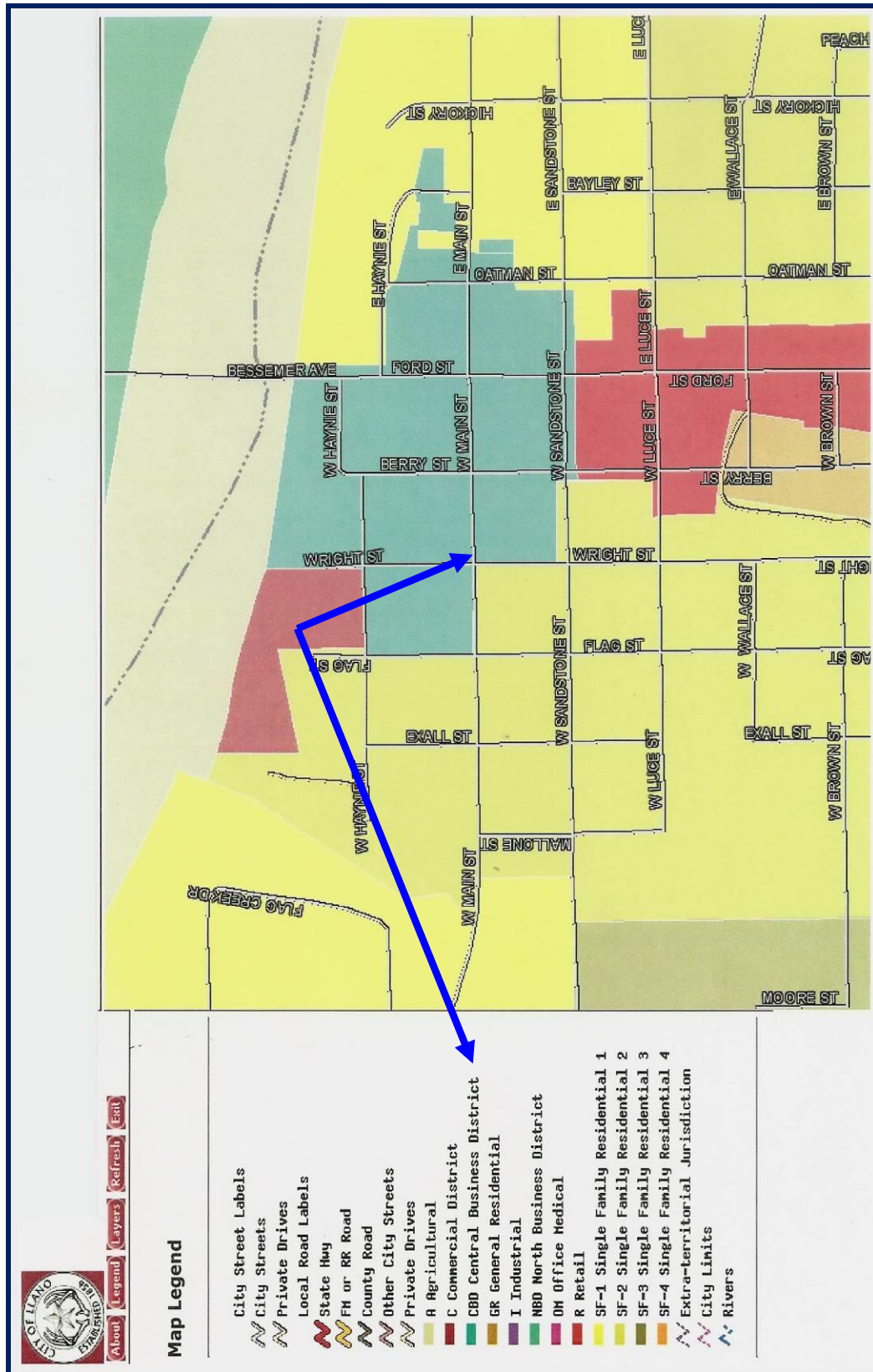
Data Zoom 14-6

## Building Sketch





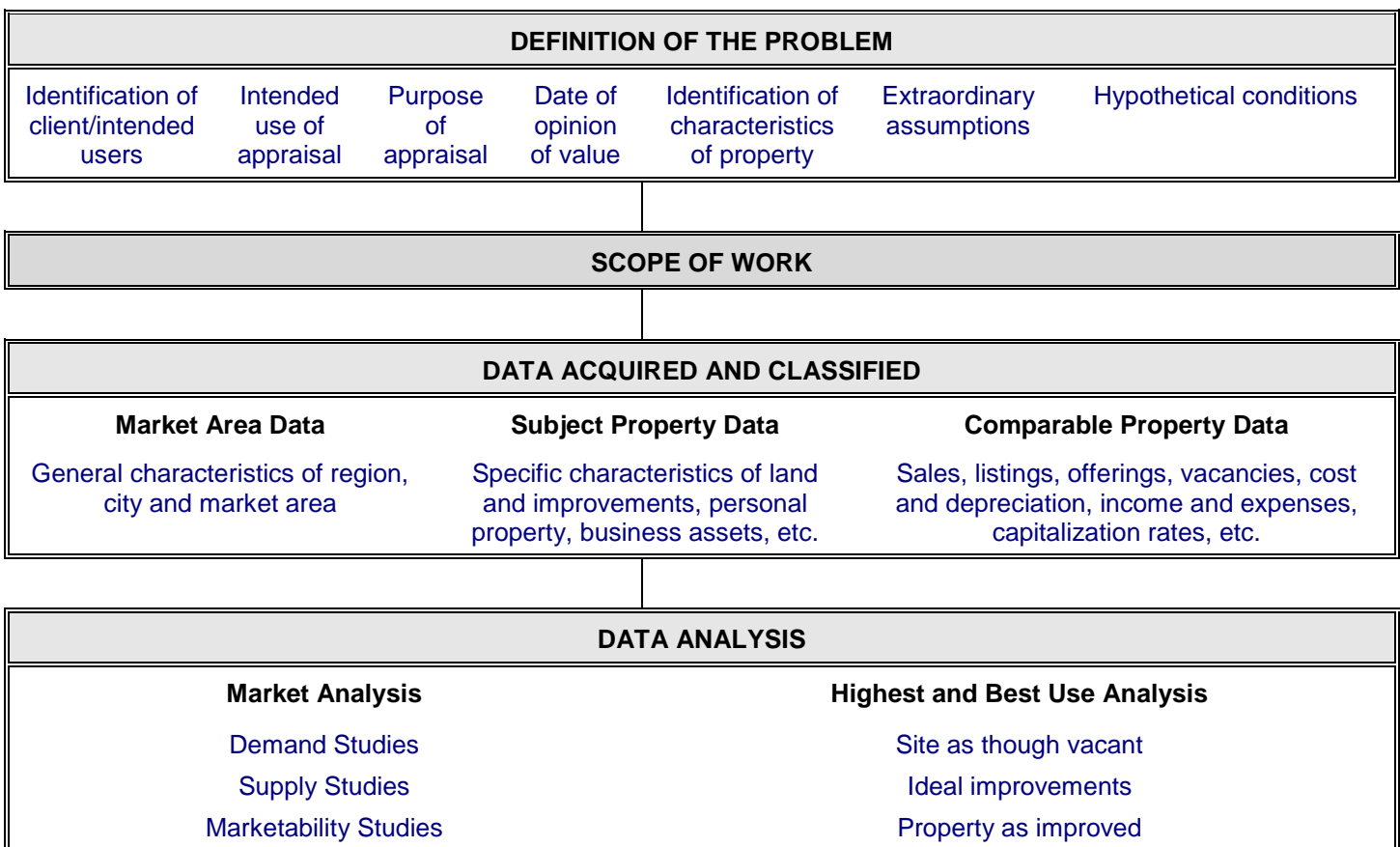
## Zoning Map





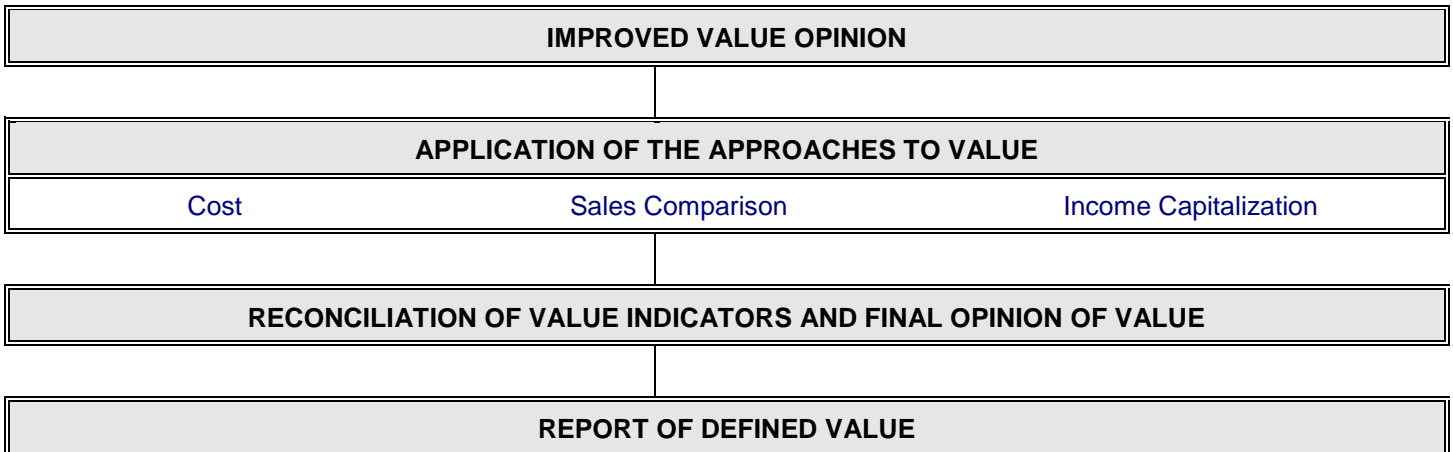
## THE APPRAISAL PROCESS

In describing the appraisal process, it is first necessary to define an appraisal. An appraisal is defined as, "the act or process of estimating value."<sup>1</sup> An appraisal is based on selective research into appropriate market areas, assemblage of pertinent data, the application of appropriate analytical techniques, and the knowledge, experience and professional judgment necessary to develop an appropriate solution to a problem" The appraisal process is defined as "the systematic analysis of the factors that bear upon the value or utility of real estate. An orderly program by which the problem is defined, the work necessary to solve the problem is planned, and the data involved are acquired, classified, analyzed, and interpreted into a final opinion or conclusion."<sup>2</sup> These two definitions as to what an appraisal is and the process by which it is completed provide the basic framework for all appraisal assignments. A schematic of the appraisal process can be listed as follows:



<sup>1</sup>The Appraisal Foundation, *Uniform Standards of Professional Appraisal Practice* "Definitions" and Appraisal Institute, *Supplemental Standards of Professional Appraisal Practice* "Definitions Problems."

<sup>2</sup>The Appraisal Institute, *The Appraisal of Real Estate*, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), 69.



In the valuation of real property, each is unique and many types of value conclusions can be estimated for the property. Typically, the appraisal estimates the market value of the property; however, the valuation process contains the information necessary to provide any other defined value. The appraisal process while not an exact science does provide a logical and supportable process for which real property can be valued.

## **DEFINITION OF THE PROBLEM**

### **Identification of Client(s)/Intended User(s)**

This appraisal is intended for the use of the client(s), the client's advisors and relevant and regulatory authorities. The client for this report is:

Mr. Brenton Lewis  
City Manager  
City of Llano  
301 West Main Street  
Llano, Texas 78643

This appraisal may not be relied upon by any other entity. The appraisal has not and cannot be re-addressed. This report is not intended for any other user(s).

### **Intended Use of Appraisal**

The intended use of this appraisal is to aid in purchasing decisions by the client. This report is not intended for any other use(s).

### **Purpose of Appraisal**

The purpose of this appraisal is to estimate the market value of the subject property. This report is not intended for any other use(s).



## **Definition of Property Rights Appraised**

### **“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.

## **Date of Opinion of Value**

The effective date of this appraisal including all analyses, the physical inspection, and value conclusion is October 10, 2014.

## **Identification of Characteristics of Property**

The subject property is identified as follows:

Property Type: Office Building

Address: 213 West Main Street, Llano, Texas 78643

Legal Description: “Insurance Office at the South Addition part of Block 20”, as recorded in the official deed and plat records of Llano County, Texas

LCAD Tax ID Number(s): 20355, 13450-020-0PTA-0

## **Occupancy and Use of the Subject Property**

The subject property consists of an existing office building that is currently owner occupied, as of the effective date of this appraisal. The City of Llano plans to purchase the building for the city police department use.

## **Property Ownership History Analysis**

A brief description of transactions involving the subject property is included to aid the reader in following the chain of title. A sales history analysis dating back three years is included to meet the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP).

## **Historic Sales Transactions**

The appraiser is not aware of any sales, transfers, or conveyances of the subject property recorded by the Llano County deed records within the required past three year search period.

## **Current "For Sale" Listing Agreement(s)**

The appraiser is not aware of the subject property being under any “For Sale” listing agreements on the effective date of this appraisal report.

### **Earnest Money Contract Agreement(s)**

The appraiser has been made aware of that the subject property is currently under an earnest money contract agreement. A partial copy of this contract is attached in the addendum section of this report and the remainder of the provided contract agreement has been retained in the appraiser's work file. The pertinent information regarding the contract agreement is as follows:

Seller: James T. Hutto  
Buyer: City of Llano  
Contract Purchase Price: \$225,000  
Contract Date: September 30, 2014  
Closing Date: 60 days after the effective date of the contract (September 30, 2014)

### **Owner of Record**

The owner of record or title to the subject property, as of the effective date of this appraisal, appears to be vested in: James T. Hutto.

### **Competency Provision**

The report contained herein was completed by Donnie L. Smith. Mr. Smith is a state certified "General Appraiser" in the state of Texas. The appraiser has completed assignments regarding the valuation of properties such as the subject and has the experience and ability to complete the appraisal in a competent manner. The appraiser recognizes and complies with the laws and regulations that apply to this assignment. For a complete description of Mr. Smith's qualifications and education background, your attention is invited to the "Qualifications" section of this report.

### **Statement of Environmental Issues**

The appraiser has not made any special effort to discover any adverse environmental conditions and therefore do not accept any responsibility for such discovery. The appraiser is not aware of and has not observed readily apparent, adverse environmental conditions during the normal course of the property inspection or visit and it is assumed that none exist. If any adverse environmental conditions are discovered, the appraiser should be notified, as the opinion of market value will likely require modification.

**As noted in the "Assumptions and Limiting Conditions" contained within this report, the appraiser does not have special expertise regarding environmental hazards, and this report must not be considered as an environmental assessment of the property.**

### **Extraordinary Assumptions**

None

**Hypothetical Conditions**

None

## SCOPE OF WORK

According to the Uniform Standards of Professional Appraisal Practice, it is the appraiser's responsibility to determine the appropriate scope of work. USPAP defines the scope of work as:

The amount and type of information researched and the analysis applied in an assignment. Scope of work includes, but is not limited to, the following:

- the degree to which the property is inspected or identified;
- the extent of research into physical or economic factors that could affect the property;
- the extent of data research; and
- the type and extent of analysis applied to arrive at opinions or conclusions.

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**Appraisal & Report Type:** This appraisal includes sufficient narrative description for the reader to ascertain the estimated value(s) and rationale for the estimate and, provides detail and depth of analysis that reflects the complexity of the real estate appraised. This is a Summary Appraisal report.

**Property Identification and Inspection:** The subject has been identified and inspected by the appraiser(s) as follows:

An exterior and interior inspection of the subject was made, and photographs were taken. The building description was provided by information gathered at the inspection by the appraiser.

**Analysis of Physical Factors:** All pertinent physical factors were analyzed.

The source of the building size measurements was: LCAD tax records

The source of the site size was: LCAD tax records

A current survey of the property was provided and is included in the map section of this report. A title commitment policy was not available.

**Analysis of Economic Factors:** All pertinent economic factors were analyzed.



**The Extent of Data Research:** The appraiser(s) maintain a current and comprehensive database of commercial industrial sales and listings for the Austin & Central Texas market areas. In addition to market data developed in the course of previous appraisal work and retained in the appraiser(s) work files, other sources of information include:

- CenTex Appraisals Database
- LoopNet & Co-Star
- Austin & Highland Lakes Multiple Listing Services
- Area Brokers

Where warranted, market data has been confirmed by a party to the transaction, or other reliable source.

**The Type and Extent of Analysis:** Cost Approach: This approach is not applicable or necessary for a credible market value estimate and has not been developed.

Sales Comparison Approach: This approach is applicable, necessary and has been fully developed.

Income Approach: This approach is not necessary for a credible market value estimate and has not been developed.

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## DEFINITION OF MARKET VALUE

The definition of "Market Value", as defined by the Office of the Comptroller of Currency (OCC) under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions, the Board of Governors of the Federal Reserve System (FRS) and the Federal Deposit Insurance Corporation in compliance with Title XI of FIRREA, as well as by the Uniform Standards of Appraisal Practice as promulgated by the Appraisal Foundation, is as follows.

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 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 are acting in what they consider their own best interest;
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.

## NEIGHBORHOOD ANALYSIS

The purpose of the Neighborhood Analysis is to examine the patterns of urban growth, structure, and change that may affect property values.

### **A neighborhood is defined as:**

"a portion of a larger community, in which there is a homogeneous grouping of inhabitants, buildings, or business enterprises. Inhabitants of a neighborhood usually have a more than 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." (*Real Estate Appraisal Terminology*, 1981)

### **Boundaries**

The designation of neighborhood boundaries is based upon the appraiser's evaluation of physical and man-made influences affecting the relative values, desirability, and trends in properties surrounding the subject property.

The subject neighborhood is located in downtown Llano, Llano County, Texas, north of Highway 79. The subject property is located on the north east corner of West Main Street and Wright Street just west of Ford Street. The neighborhood boundaries may be described as:

State Highway 29 to the North  
Farm to Market Road 2323 and State Highway 71 to the South  
California Street to the West  
Mulberry Street to the East

This boundary description is supported by similar social, economic, governmental, and environmental forces which influence property values in this neighborhood.

### **Predominant Land Use**

The subject neighborhood is an established area with commercial properties and residential areas located within the central city of Llano area. The area can best be characterized as an urban area with a mixture of commercial retail, office, multi-family, mixed use and residential developments. The majority of the immediate neighborhood is commercial in nature with residential uses along the minor and secondary arterials. Utility services include water, waste water, natural gas, electric and telephone services throughout the neighborhood. The terrain of the neighborhood is level to rolling and sloping. Overall, the neighborhood is located in a well developed section of Llano and should be attractive to investors over the long term.

## **SITE ANALYSIS**

### **213 West Main Street, Llano, Llano County, Texas 78643**

#### **Legal Description**

The subject property consists of 0.1205 Acres (5,248 SF), and is legally described as:

***“Insurance Office at the South Addition part of Block 20”,  
as recorded in the official deed and plat records of Llano County, Texas***

#### **Topography:**

Judging from a visual inspection, the site is basically level. According to the Flood Insurance Rate Map 48299C0195C dated May 2, 2012 from the Federal Emergency Management Agency (FEMA), the subject does not appear to lie within a flood hazard.

#### **Soil and Sub-Soil Conditions:**

The appraiser was not furnished a soils report; consequently the appraiser does not express an opinion as to the quality of the soil. Based on surrounding developments and current improvements on the site, it would appear the soil is suitable for development. However the appraiser recommends that a professional engineering report addressing soil stability, toxic waste, and hazardous materials be completed prior to encumbrance, transfer of ownership, or further development.

#### **Statement of Environmental Issues:**

The appraiser has not made any special effort to discover any adverse environmental conditions and therefore do not accept any responsibility for such discovery. The appraiser is not aware of and has not observed readily apparent, adverse environmental conditions during the normal course of the property inspection or visit and it is assumed that none exist. If any adverse environmental conditions are discovered, the appraiser should be notified, as the opinion of market value will likely require modification.

As noted in the “Assumptions and Limiting Conditions” contained within this report, the appraiser does not have special expertise regarding environmental hazards, therefore this report must not and cannot be considered as an environmental assessment of the property.

#### **Utilities and Services:**

The subject has water and wastewater services to the site by the city of Llano, with the property also being serviced with electricity, natural gas, cable, and telephone.

#### **Streets, Curbs, Sidewalks, Access:**

The subject property has a corner lot configuration and is located on the north east corner of West Main Street and Wright Street, which is a secondary north/south arterial for the central Llano market area. The neighborhood has concrete curbs and sidewalks in front of the subject property, and West Main Street is an asphalt paved roadway with one lane in each direction and diagonal and parallel parking along the street. The subject does not have a curb but an open driveway access. Overall the location offers average access and exposure to local employment, schools, shopping and medical facilities.

**Zoning, Restrictions:**

The subject property is located within the city limits of Llano and is zoned **CBD; Central Business District:**

**Sec. 110-371. - General purpose:** The development standards in the **CBD, central business district** are designed to maintain and encourage development within the central area of the city. Standards for vehicle parking, building setbacks and building heights are similar to the standards existing on developed properties in such section of the city. (Ord. No. 735, § 1(17.1), 7-21-1997)

**This appraisal and the resultant market value estimate are not subject to any adverse easements, encroachments, and/or deed restrictions.**

**Llano Central Appraisal District – Ad Valorem Tax Data:**

<b>Llano Central Appraisal District</b>	<b>213 West Main Street</b>	
<b>Tax Parcel ID#(s)</b>	20355	13450-020-0PTA-0
<b>Tax Year:</b>	2014	
<b>Assessed Land Value:</b>	\$11,900	
<b>Assessed Improved Value:</b>	\$68,490	
<b>Total Assessed Value:</b>	\$80,390	
<b>Taxing Rates &amp; Entities:</b>	\$0.396330	City of Llano
	\$0.279660	Llano County
	\$0.040000	Road and Bridge
	\$1.168000	Llano ISD
<b>Total Tax Rate:</b>	\$1.883990	Per \$100 in assessed value
<b>Real Estate Taxes:</b>	\$1,514.54	

**IMPROVEMENT ANALYSIS**

**Introduction**

The following information is based on the physical inspection as of the effective date of this appraisal report. The office building has a total of 2,295 SF (GBA) with a two story configuration, and is currently owner occupied (DBA: Hutto & Dalchau Insurance). The (GBA) square footage is per the appraiser's measurements.

**1. Stories/Dimensions:** The building has approximately 2,295 square feet of Gross Building Area. The subject is a two story office building (+/- 1,540 Sf – first floor, +/- 755 Sf – second floor).

**2. Quality and Type of Construction:** The structure is primarily constructed in 1971 with a wood frame, and wood panel siding exterior on a concrete slab foundation with a pitched composition roof; the quality and type of construction is consistent with building of this age and from this period.

**3. Exterior Construction and Foundation:** The subject consists of wood frame construction on a concrete foundation. The exterior walls are wood panel veneer.

**4. Roof:** The roof is a pitched composition shingled type.

**5. Entry and Walkways:** The building has wood/metal-glass framed windows and doors for entry and access to the building. Walkways along the outside of the building consist of concrete, with a metal external staircase to the second floor.

**6. Parking:** Parking for the subject building is separated into two categories; there are two covered parking spots on the east side of the building and nine marked parking spaces on the Main Street frontage.

**7. Interior Description:** The subject interior on the first floor is a mixture of office suites, open areas, and break areas with a restroom for finished out office configuration, while the second floor has a full bath and kitchen area which could also be used for a living area as well as an office space.

Basic interior construction includes 2 x 4 wood framing with paint and textured drywalls, as well as wood paneled walls. Floor coverings include commercial grade carpet flooring. The ceilings are commercial type dropped ceiling tiles, and lighting is recessed incandescent lighting. See interior photographs for details.

**8. Condition of the Improvements:** The subject is existing construction and characterized in average condition.



## **DEFINITION OF “HIGHEST AND BEST USE”**

“Highest and Best Use” is a basic premise of value. As with value, “Highest and Best Use” is not an absolute fact; it reflects an appraiser’s opinion of the best use of a property based on an analysis of prevailing market conditions. The term “Highest and Best Use”, as used in this appraisal report, 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 results in the highest value.

(From The Appraisal of Real Estate, Twelfth Edition, prepared by the Appraisal Institute) A study of the “Highest and Best Use” of a property is the most important, fundamental and critical section in the valuation process. As background for this conclusion, the appraiser will analyze the subject property, the community, the neighborhood in which the property is located and lastly, the basic principles of land utilization.

In this type of analysis, the appraiser will actually conduct two separate studies:

1. An analysis of the site “AS VACANT”
2. An analysis of the site “AS IMPROVED”

In estimating the “Highest and Best Use”, there are essentially four stages of analysis:

1. LEGALLY PERMISSIBLE USE: What uses are permitted by zoning, deed restrictions and other governmental controls on the site in question?
2. PHYSICALLY POSSIBLE USE: What uses of the site in question are physically possible?
3. FINANCIALLY FEASIBLE USE: What physically possible and legally permissible use will produce a positive net return or the highest present worth?
4. MAXIMALLY PRODUCTIVE USE: Among the feasible uses, which use will produce the highest net return for the longest period of time?

The following tests must be met in estimating the “Highest and Best Use”: the use must be legal, the use must be probable and not speculative or conjectural, there must be a profitable demand for such use, and finally the use must return the highest net return for the longest period of time.

## **HIGHEST AND BEST USE - "AS VACANT"**

### **Legally Permissible Use**

Legal restrictions as they apply to the subject are both public zoning ordinances and private deed restrictions. This is the appraiser's first step in the "Highest and Best Use" since it can narrow down the uses which could be built on a particular site. If a particular use is not legally permissible then the use is only speculative since it would require a zoning change or variance etc.

The subject site is located within the city limits of Llano, and is currently zoned **CBD, Central Business District**. Given the location, the frontage, and the zoning restrictions imposed by the city, the subject would be permitted to be developed with a variety of commercial developments that would be legally permissible, including an office or retail use.

### **Physically Possible Use**

The Physically Possible constraint imposed on the subject property is dictated by the physical aspects of the site itself. In general, the larger the site, the greater it's potential to achieve the economies of scale and flexibility in development.

The subject property consists of a rectangular shaped lot, containing 0.1205 acres (5,248 SF) of land area with a corner lot configuration. The lot has good access and exposure from primary and neighborhood transportation arteries. The topography of the site is level and on grade with the adjoining roadway. There are not any noticeable erosion patterns or significant terrain problems that would affect the utility of the site. To develop this site to its full potential, it is the appraiser's opinion that a commercial office would be physically possible on the site.

### **Financially Feasible Use**

In order for a property to be financially feasible it must be able to generate an income stream which will support the debt service and operating expenses, as well as provide a reasonable return to the equity dollars invested.

Based on the current market conditions, commercial office development would be financially feasible at this time.

### **Maximally Productive**

It is the appraiser's opinion that a commercial use is legally permissible, physically possible, and financially feasible. In the final analysis, a determination must be made as to the "Highest and Best Use" of the subject site, "As Vacant". Thus far, it was concluded that, "As Vacant", development on the site is currently financially feasible.

Summary - It is the appraiser's opinion that the "Highest and Best Use", "As Vacant", i.e. "maximally productive", would be to develop the property with a commercial office development.

## **HIGHEST AND BEST USE – “AS IMPROVED”**

**Legally Permissible** – Legal restrictions as they apply to the subject are both public zoning ordinances and private deed restrictions. If a particular use is not legally permissible then the use is only speculative since it would require a zoning change or variance etc.

The current office finish is permissible under the current zoning.

**Physically Possible** – The test of physical possibilities addresses the physical and functional characteristics associated with the improvements that might affect its “Highest and Best Use”.

The improvements are finished for an office type use. The improvements are constructed similar to other buildings within the immediate area with a functional floor plan; therefore the continued office use is physically possible.

**Financially Feasible** – The test of financial feasibility of the property addresses the market demand for the subject property. If the existing use creates a positive return on the investment, that use is financially feasible.

Buildings in the immediate Llano market have average occupancy rates and stabilized rental rates. The subject is currently owner occupied; thus the continued office use of the subject appears to be financially feasible based on the occupancy rates of similar properties in the Llano area.

**Maximally Productive** – Often the existing use is legally permissible, physically possible and financially feasible. The maximally productive test if any actions should be taken and corresponding cost incurred, to make the subject property more valuable. Typical items include fixing deferred maintenance or curing a functional problem.

The existing office use of the improvements meets all three criteria in selecting the “Highest and Best Use” and provides the greatest rate of return.

**Conclusions** – Based on the above described criteria and analysis, the indicated “Highest and Best Use” of the subject “as improved” is for continued office use.

## DIRECT SALES COMPARISON APPROACH

The Direct Sales Comparison Approach (whole property) is a process of comparing actual improved comparable property sales. This approach to value is premised upon the "PRINCIPLE OF SUBSTITUTION - which holds that when several commodities or services with substantially the same utility are available, the one with the lowest price attracts the greatest demand and widest distribution." The Appraisal of Real Estate, Twelfth Edition.

The applicability of this approach is based upon the assemblage of similar sales and offerings data for comparison, from which market derived adjustments for relevant factors, can be extracted. The sales data is compared to the subject on the basis of significant characteristics exhibited in the subject property. Considerations for such factors as changes in the market since the date of the sale, location, age/condition/quality and building size are all related to the subject property. Because the adjustments are market derived, whenever possible, the desires and actions of typical buyers and sellers are usually reflected in the comparison process.

### SALES PRICE PER SQUARE FOOT

The Sales Price per Square Foot comparison is based upon the physical unit of comparison of square feet which is widely used as a means for comparison for investors for this property type. The sales price is divided by the total number of square feet thus yielding an unadjusted sales price per square foot common denominator, which is then adjusted to reflect the attributes of the subject property. This adjusted sales price per square foot is applied to the subject number of square feet to indicate a value of the subject derived by comparison to individual market sales. The most common unit of comparison for analyzing commercial properties such as the subject in the market is the Sales Price per Square Foot.

The subject property is being appraised in this analysis "**As Is**". The appraiser confirmed sales similar to the subject and the selected comparable sales are similar commercial properties in the Llano and surrounding market area. The appraiser has included a detailed description of the comparable sales in the addendum of this report for the readers review. On the following page is the adjustment grid which illustrates the adjustments deemed necessary to the comparable sales utilized in this report. Following the adjustment grid is an explanation of the adjustments which were applied to the comparable sales.

<b>Improved Sales Adjustment Grid</b>				
	<b>Subject</b>	<b>Sale 1</b>	<b>Sale 2</b>	<b>Sale 3</b>
Name	Office Building	Office Building	Office Building	Commercial Building
Address	213 West Main Street	405 E Young St	4819 FM 2147	3817 FM 2147
City	Llano	Llano	Cottonwood Shores	Cottonwood Shores
State	Texas	Texas	Texas	Texas
Contract/Sale Date	U/C	6/22/2012	4/6/2012	12/28/2012
Sale Price	\$ 225,000	\$ 150,000	\$ 260,000	\$ 225,000
Gross Bldg. Area	2,295	2,000	2,851	1,962
Land Area (SF)	5,227	43,560	10,454	15,246
Land Area (Acres)	0.1200	1.000	0.240	0.350
Condition	Average	Average	Average	Average
Year Built	1971	1969	1972	2001
<b>Price Per SF</b>	<b>\$ 98.04</b>	<b>\$ 75.00</b>	<b>\$ 91.20</b>	<b>\$ 114.68</b>
Property Rights Conveyed		Fee Simple	Fee Simple	Fee Simple
Percent Adjustment		0.0%	0.0%	0.0%
Adjusted Price	\$	75.00	\$ 91.20	\$ 114.68
Financing Terms		Cash to Seller	Cash to Seller	Cash to Seller
Percent Adjustment		0.0%	0.0%	0.0%
Adjusted Price	\$	75.00	\$ 91.20	\$ 114.68
Conditions of Sale		Market	Market	Market
Percent Adjustment		0.0%	0.0%	0.0%
Adjusted Price	\$	75.00	\$ 91.20	\$ 114.68
Time/Market Conditions				
Appraisal Date	10/10/2014	6/22/2012	4/6/2012	12/28/2012
Months Elapsed	-----	28.00	30.57	21.70
Annual % Adj.	0.00%			
Percent Adjustment		15.0%	15.0%	10.0%
Adjusted Price	\$	86.25	\$ 104.88	\$ 126.15
Adjustment For				
Location		0%	0%	0%
Physical Characteristics				
Age/Cond		10%	0%	-15%
Size		0%	0%	0%
Percent Adjustment		10.0%	0.0%	-15.0%
Dollar Adjustment		\$ 8.63	\$ -	\$ (18.92)
Adjusted Price	\$	94.88	\$ 104.88	\$ 107.22
<b>Net Percent Adjustment</b>		<b>25.0%</b>	<b>15.0%</b>	<b>-5.0%</b>
<b>Adjusted Price</b>	<b>\$</b>	<b>94.88</b>	<b>\$ 104.88</b>	<b>\$ 107.22</b>
<b>Price/SF Comparison</b>				<b>Indicated Value</b>
Number of Comps	<b>3</b>	Gross Building (SF).....		2,295
Maximum.....	\$ 107.22	Indicated Subject Value Per SF.....		\$ 102.00
Mean (avg.).....	\$ 102.33	Indicated Subject Value.....		\$ 234,090
Minimum.....	\$ 94.88	Indicated Value Rounded To.....		\$ <b>234,000</b>



## **DISCUSSION OF ADJUSTMENTS**

### **Property Rights Conveyed**

All comparable sales were transfers of fee simple or leased fee rights which were considered to be equal to fee simple rights of ownership and thus adjustments were not warranted for property rights conveyed. Neither positive nor negative leaseholds were considered to exist with any of the sales with leases.

### **Financing Terms of the Sale**

All of the sales were sold for either cash or its equivalent and thus adjustments were not warranted for financing to arrive at a cash equivalent sales price.

### **Conditions of Sale (Motivation)**

All comparable sales were analyzed to determine if the sales price was influenced by the condition, or motivation, of either the buyer or seller.

It was determined that all of the comparable sales were arms-length transactions and were purchased without any undue pressure on the buyer or seller; therefore the appraiser felt that adjustments were not warranted for motivation or condition of the sale.

### **Time/Market Conditions**

Market conditions may change between the closing date of a comparable and the date of the appraisal of the subject property. Under such circumstances, the price of the comparable property would be different at the later time (the date of the appraisal), and an adjustment would have to be made to the actual transaction price if the sale were used as a comparable. Changed market conditions often result from various causes, such as inflation, deflation, changing demand, and changing supply. It should be emphasized that the cause of the adjustment is not time itself.

All the closed sales utilized occurred between April 2012 and December 2012. Based on an analysis of the local market for improved commercial properties within the subject market area, the market appears to have increased slightly from January of 2013 to the present; thus adjustments were required for changes in market conditions.

### **Location**

An adjustment for location is required if the locational characteristics of a comparable property are significantly different from those of the subject property; the subject is located on a primary transportation arterial located in the town of Llano.

All the comparable sales were found to have similar locational attributes, thus adjustments were not warranted.

### **Age and Condition**

The subject property was built in 1971, and is considered to be in average condition.

Comparable sale one was adjusted upward for its older age, while comparable sale two is similar in age and condition to the subject and therefore did not require any adjustment. Comparable sale three warranted a downward adjustment for its newer age.

### **Size**

The size of a commercial building can have an impact on the overall price per unit. Typically smaller buildings sell for more and larger buildings sell for less per square foot.

All the comparable sales were considered to be similar in size to the subject, thus not requiring any adjustment.

### **CONCLUSION**

In summary, all the comparable sales were felt to be reliable and comparable to the subject property. After reviewing the market data presented herein, other sales from the area, and talking with several real estate brokers that actively work the subject market, the appraiser was able to formulate an opinion as to the market value of the subject property.

The adjusted price per square foot ranged from \$94.88/SF to \$107.22/SF. The mean or average price was \$102.33/SF, rounded to \$102.00/SF. Based on the foregoing analysis, the appraiser is of the opinion that the estimated market value of the subject property by the sales price per square foot technique, as of October 10, 2014, is \$102.00 per square foot on the gross building area of the office building, which is 2,295 SF; thus the market value can be calculated as follows:

#### **“As Is”**

$\$102.00 \text{ Per SF} \times 2,295 \text{ SF} = \$234,090$ , rounded to **\$234,000**

Based on the foregoing analysis, the appraiser is of the opinion that the **“As Is”** estimated **market value** of the subject property by the **Sales Comparison Approach**, as of **October 10, 2014**, is:

**TWO HUNDRED THIRTY FOUR THOUSAND DOLLARS**

**(\$234,000)**

## ESTIMATED EXPOSURE TIME

The definition of Market Value assumes adequate time is allowed for exposure on the open market. The estimated exposure time for the subject property was based on several related factors. The appraiser has considered the following in making his estimate of exposure time.

- 1) The supply of and demand for comparable properties will affect the time it will take for the subject property to be absorbed by the market. The appraiser has considered the available space for sale and/or lease in the marketplace as well as the demand for that space over the past five years.
- 2) The physical and locational characteristics of the subject property and their relationship to the available comparable properties. The characteristics of the property are considered to determine the marketability of the property.
- 3) The appraiser has considered the strengths and weaknesses of the subject market and/or the local area market and how it relates to the overall regional market.
- 4) A survey was conducted of local brokers to get their opinion as to the marketing period for the subject property as well as comparable properties in the area market.

In conclusion, the subject is considered to be typical of similar projects in the subject's market area and to be a marketable space to lease and/or to sell. The location, surrounding demographics and access to the property are considered to be average to good as compared to the competition. It is the appraiser's opinion that if the subject property had been listed for sale three to six months prior to the effective date of this report, at or near the market value estimate concluded within this report, and if it were properly marketed, the property should have sold within this indicated **twelve month** exposure period.

## **CERTIFICATE AND FINAL VALUE ESTIMATE**

CERTIFICATION: I hereby certify:

That as of **October 10, 2014**, it is my opinion the market value of the subject property "**As Is**" is **\$234,000**. The valuation is based upon my independent appraisal and the exercise of my professional judgment; That I personally inspected the property herein appraised; That to the best of my knowledge and belief, the statements contained herein are true and the information upon which the opinions expressed therein are based is correct, subject to limiting conditions set forth in this Summary appraisal;

This appraisal is made in conformance with appropriate State laws, regulations and policies applicable to appraisal for the acquisition of whole properties; That neither our employment nor our compensation for making this appraisal are in any way connected upon the values reported herein;

That we have no direct or indirect present or future personal interest in such property or in any way benefit from the acquisition of such property appraised;

The appraisal was made and the appraisal report prepared in conformity with the Uniform Appraisal Standards of Appraisal Practice. The analysis and conclusion were prepared by Donnie L. Smith.

The appraisal was made and the appraisal report prepared in conformity with the Appraisal Foundation's Uniform Standards for Professional Appraisal Practice.

The undersigned does hereby certify that, to the best of my knowledge and belief:

-The statements of fact contained in this report are true and correct.

-My engagement in this assignment was not contingent upon or reporting predetermined results.

-The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is our personal, unbiased professional analyses, opinions, and conclusions.

-We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.

-My compensation is not contingent on an action or event resulting from the analysis, opinions, or conclusions in, or the use of, this report.

-Mr. Donnie L. Smith made a personal inspection of the property that is the subject of this report.

-My analysis, opinions, and conclusions were developed, and this report has been prepared in accordance to the standards and reporting requirements of the Appraisal Institute, the American Society of Appraisers, and the Federal Home Loan Bank Board.

-The Texas Real Estate Appraiser Certification Committee regulates the State Certification of Texas Real Estate Appraisers. Under this program, Mr. Donnie L. Smith is currently certified through November 30, 2016.



-The appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.

-No one provided significant real property appraisal or appraisal consulting assistance to the person signing this certification.

-My analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.

-The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

-The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

-This appraiser has not performed any other services, as appraisers 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.

Respectfully submitted,



Donnie L. Smith  
Principal / Senior Appraiser  
CenTex Appraisals  
State Certified (Texas)  
TX-1338244-G

## **LIMITING CONDITIONS AND ASSUMPTIONS**

### **1. Limit of Liability**

The liability of CenTex Appraisals and employees is limited to the fee collected. There is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The Appraisers assume no responsibility for any costs incurred to discover or correct any deficiencies present in the property.

### **2. Copies, Publication, Distribution, Use and Ownership of Report**

Possession of this report or any copy thereof does not carry with it the right of publication, nor may it be used for other than its intended use; the physical report(s) remain the property of CenTex Appraisals for the use of the client, the fee being for the analytical services only.

The Bylaws and Regulations of the Appraisal Institute require each Member and Candidate to control the use and distribution of each appraisal report signed by such Member or Candidate; except as hereinafter provided, the client may distribute copies of this appraisal report in its entirety to such third parties as he may select; however, selected portions of this appraisal report shall not be given to third parties without the prior written consent of the signatories of this appraisal report. Neither all nor any part of this appraisal report shall be disseminated to the general public by the use of advertising media, public relations, news, sales or other media for public communication without the prior written consent of CENTEX APPRAISALS

### **3. Confidentiality**

This appraisal is to be used only in its entirety and no part is to be used without the whole report. All conclusions and opinions concerning the analysis are set forth in the report which was prepared by the Appraiser(s) whose signature(s) appear on the appraisal report, unless indicated as "Review Appraiser." No change of any item in the report shall be made by anyone other than the Appraiser and/or officer of the firm. The Appraiser and firm shall have no responsibility if any such unauthorized change is made.

### **4. Trade Secrets**

This appraisal was obtained from CENTEX APPRAISALS or related companies and/or its individuals or related independent contractors and consists of "trade secrets and commercial or financial information" which is privileged and confidential and exempt from disclosure under 5 U.S.C. 552 (b)(4). Notify the appraiser(s) signing the report or an officer of CENTEX APPRAISALS of any request to reproduce this appraisal in whole or part.

### **5. Information Used**

No responsibility is assumed for accuracy or information furnished by or from others, the client, his designee, or public records. We are not liable for such information or the work of possible subcontractors. Be advised that some of the people associated with CENTEX APPRAISALS, and possibly signing the report, are independent contractors. The comparable data relied upon in this report has been confirmed with one or more parties familiar with the transaction, or from affidavit or

other sources thought reasonable; all are considered appropriate for inclusion to the best of our factual judgment and knowledge. An impractical and uneconomic expenditure of time would be required in attempting to furnish unimpeachable verification in all instances, particularly as to engineering and market-related information. It is suggested that the client consider independent verification within these categories as a prerequisite to any transaction involving sale, lease, or other significant commitment of subject property, and that such verification be performed by the appropriate specialists.

## **6. Testimony, Consultation, Completion of Contract for Appraisal Services**

The total fee is payable upon fulfillment/completion of the contract for appraisal, consultation or analytical service. The appraiser(s) or those assisting in preparation of the report will not be asked or required to give testimony in court or hearing because of having made the appraisal, in full or in part, nor engage in post appraisal consultation with client or third parties except under separate and special arrangement and at an additional fee. If testimony or deposition is required because of any subpoena, the client shall be responsible for any additional time, fees, and charges regardless of issuing party.

## **7. Exhibits**

The sketches and maps in this report are included to assist the reader in visualizing the property and are not necessarily to scale. Various photos, if any, are included for the same purpose. Site plans are not surveys unless shown from separate surveyor.

## **8. Legal, Engineering, Financial, Structural, or Mechanical Nature Hidden Components, Soil**

No responsibility is assumed for matters legal in character or nature, nor matters of survey, nor of any architectural, structural, mechanical, or engineering nature. No opinion is rendered as to the title, which is presumed to be good and merchantable. The property is appraised as if free and clear, unless otherwise stated in particular parts of the report.

The legal description is assumed to be correct as used in this report as furnished by the client, his designee, or as derived by the appraisers.

Please note that no advice is given regarding mechanical equipment or structural integrity or adequacy, nor soils and potential for settlement, drainage, and such (seek assistance from qualified architect and/or engineer) nor matters concerning liens, title status, and legal marketability (seek legal assistance), and such. The lender and owner should inspect the property before any disbursement of funds; further, it is likely that the lender or owner may wish to require mechanical or structural inspections by a qualified and licensed contractor, civil or structural engineer, architect, or other expert.

The Appraisers have inspected as far as possible, by observation, the land and the improvements; however, it was not possible to personally observe conditions beneath the soil, hidden structurally, or other components. We have not critically inspected mechanical components within the improvements and no representations are made herein as to these matters unless specifically stated and considered in the report. The value estimate considers there being no such conditions that would cause a loss of value. The land or the soil of the area being appraised appears to be firm, however, subsidence in the area is unknown. The appraiser(s) do not warrant against this condition or occurrence of

problems arising from soil conditions.

The appraisal is based on there being no hidden, unapparent, or apparent conditions of the property site, subsoil, or structures or toxic materials which would render it more or less valuable. No responsibility is assumed for any such conditions or for any expertise or engineering to discover them. All mechanical components are assumed to be in operable condition and status standard for properties of the subject type. Conditions of heating, cooling, ventilating, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. No judgment is made as to adequacy of insulation, type of insulation, or energy efficiency of the improvements or equipment.

If the Appraisers have not been supplied with a termite inspection, survey, or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same, or for any deficiencies discovered before or after they are obtained. No representation or warranties are made concerning obtaining the above mentioned items.

The Appraisers assume no responsibility for any costs or consequences arising due to the need, or the lack of need for flood hazard insurance. An Agent for The Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.

## **9. Legality of Use**

The appraisal is based on the premise that there is full compliance with all applicable federal, state and local environmental regulations and laws unless otherwise stated in the report; further, that all applicable zoning, building, and use regulations and restrictions for all types have been complied with unless otherwise stated in the report; further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority (local, state, federal and/or private entity or organization) have been or can be obtained or renewed for any use considered in the value estimate.

## **10. Component Value**

The distribution of the total valuation in this 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.

## **11. Auxiliary and Related Studies**

No environmental or impact study, special market study or analysis, "Highest and Best Use" analysis study or feasibility study has been requested or made unless otherwise specified in an agreement for services or in the report. The appraisers reserve the unlimited right to alter, amend, revise, or rescind any of the statements, findings, opinions, values, estimates, or conclusions upon any subsequent such study, analysis, previous study, factual information as to market or subject, or analysis subsequently becoming known to him.

## **12. Dollar Value, Purchasing Power**

The market value estimated, and the costs used, are as of the date of the estimate of value. All dollar amounts are based on the purchasing power and price of the dollar as of the date of the value estimate.



### **13. Inclusions**

Furnishings and equipment, personal property, or business operations except as specifically indicated and typically considered as a part of real estate, have been disregarded with only the real estate being considered in the value estimate unless otherwise stated. In some property types, business and real estate interests and values are combined.

### **14. Existing Improvements, Conditioned Value**

Improvements existing, if any, on or off-site, as well as any repairs required are considered, for purposes of this appraisal, to be completed in a good and workmanlike manner according to information submitted and/or considered by the appraisers. In cases of existing construction, the appraisal is subject to change upon inspection of property after construction is completed. This estimate of market value is, as of the date shown, existing as if completed and operating at levels shown and projected.

### **15. Value Change, Dynamic Market, Influences**

The estimated market value is subject to change with market changes over time; value is highly related to exposure, time, promotional effort, terms, motivation, and conditions surrounding the offering. The value estimate considers the productivity and relative attractiveness of the property physically and economically in the marketplace.

In cases of appraisals involving the capitalization of income benefits, the estimate of market value, investment value, or value in use is a reflection of such benefits and appraiser's interpretation of income and yields and other factors derived from general and specific client and market information. Such estimates are as of the date of the estimate of value; they are thus subject to change as the market and value is naturally dynamic.

The "Estimate of Value" in the appraisal report is not based in whole or in part upon the race, color, or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.

The Appraisers reserve the right to alter the opinion of value on the basis of any information withheld or not discovered in the original normal course of a diligent investigation.

### **16. Management of the Property**

It is assumed that the property which is the subject of this report is under prudent and competent ownership and management; neither inefficient nor super-efficient.

### **17. Professional Fees**

The fee for this appraisal or study is for the analytical services rendered and not for the time spent on the physical report or the physical report itself. The physical report(s) remains the property of CENTEX APPRAISALS under all circumstances.

### **18. Authenticity**

The authentic copies of this report have the CENTEX APPRAISALS logo. Any copy that does not have the above is unauthorized and may have been altered. Please contact CENTEX APPRAISALS if there is any question regarding authenticity of this report.

## **19. Insulation and Toxic Materials**

Unless otherwise stated in this report, the appraiser(s) signing this report has no knowledge concerning the presence or absence of toxic materials and/or urea-formaldehyde foam insulation in existing improvements; if such is present the value of the property may be adversely affected and re-appraisal at additional cost necessary to estimate the effects of such.

## **20. Right To Alter Market Value**

The appraisers and/or officers of CenTex Appraisals reserve the right to alter statements, analysis, conclusion or any value estimate in the appraisal if there becomes known to us facts pertinent to the appraisal process which were unknown to us when the report was finished.

## **21. SPECIAL CONDITIONS**

The appraisers made the assumption that the subject property was free and clear of any environmental nuisances which might affect the market value of the property. The appraisers are not environmental experts and thus they have not rendered an opinion as to the presence or absence of any environmental hazards.

## **22. Americans With Disabilities Act (ADA)**

The reader should note that the owner may be subject to additional financial expenditures in accordance with the Americans With Disabilities Act (ADA), a Federal law codified at 42 USC Section 12101, et seq. Among other requirements of the ADA that could apply to this property, Title III of the ADA requires owners and tenants of "public accommodations" to remove barriers to access by disabled persons and provide auxiliary aids and services for hearing, vision, or speech impaired persons. The compliance deadline for businesses with more than 25 employees was January 26, 1992 and companies with fewer than 10 employees had until January 26, 1993. It should be noted that churches and private clubs are exempt from the requirements of this Act. The regulations under Title II of the ADA are codified at 28 CFR part 36.

The reader should also note that the appraisers are not qualified experts as to the subject's compliance, or noncompliance, under the ADA. In recognition of this law's recent enactment, some of the requirements may be subject to interpretation. However, a very significant factor is that the Act contains no "grandfather" clause for older buildings. The standards for existing buildings are less than those for new construction but the buildings must be made accessible to the extent that this is readily achievable.

"Readily achievable" is open for interpretation by the Department of Justice and involves considerations of cost, size of company, number of employees and the financial ability of the owner. More is expected from those with greater financial ability, while undue hardship for others may be considered. In that the owner's financial capability is the primary consideration with respect to compliance, the real estate appraiser cannot determine, nor should he or she be requested to determine, building compliance.

Compliance determination rests with the Department of Justice which recognizes that immediate and full compliance is unattainable for existing buildings. Owners, however, are well-advised to have an accessibility plan in place to show a "good faith" effort for adhering to the law.

Lending institutions need to recognize and address ADA as it affects properties used as collateral for loans. In a foreclosure situation, the bank as the new owner of a property usually has more financial capability than the bankrupt former owner, and may be made liable for more stringent handicap accessibility.

Real estate appraisers should inform their clients of major barriers to access noted during physical inspection. Since the first priority is getting the handicapped person through the door, those items should be noted first. The next priority is providing access to service areas. The third priority is making the restrooms accessible, followed by the rest of the facility.

In conclusion, the ADA requires places of public accommodation and employment to be equally accessible to all people, and it will have long lasting and far reaching effects on real estate. The client is strongly urged to retain the services of a qualified independent expert concerning the interpretation and application of the ADA and to determine the subject's status. The value reported herein is subject to revision, should it later be determined that additional expenditures are required to comply with this Act.

**23. ACCEPTANCE OF, AND/OR USE OF, THIS APPRAISAL REPORT CONSTITUTES ACCEPTANCE OF THE ABOVE CONDITIONS.**

## **SPECIAL REPORT CONDITIONS, APPRAISER'S LIABILITY LIMITATIONS AND CLIENT AGREEMENTS**

The acceptance of this report and its use by the client in any manner whatsoever or for any purpose is acknowledgement by him that this report is a satisfactory professional product, and that he has personally read the report, and specifically agrees that the data herein is accurate to the best of the appraiser's ability.

The report remains the personal property of the signer and may not be transmitted to a third party without the signer's written permission. Permission is granted to transmit to a third party mortgagee.

CenTex Appraisals and/or the individual signatories personal responsibility does not extend to a third party under any circumstance whatsoever.

As a part of the Appraiser-Client employment agreement, the client agrees to notify CenTex Appraisals or it's representative of any error, omission, or invalid data herein within fifteen (15) days of receipt and return the report along with all copies to CenTex Appraisals for correction prior to any use whatsoever.

**UNDER NO CIRCUMSTANCES** shall CenTex Appraisals or individual signatory's liability exceed the fee actually collected for this report, and then only in case of a gross error which would have materially affected the appraiser's value opinion as of the date of the valuation.

Thus, by acceptance of this report, you acknowledge that a value opinion is the product of a professionally trained mind but nevertheless is an opinion only; and not a provable fact. As a personal opinion, valuation may vary between appraisers based on the same facts.

Thus, CenTex Appraisals and individual signatories warrant only that the value conclusion is his best opinion estimate as of the exact day of valuation.

## QUALIFICATIONS OF DONNIE L. SMITH

Donnie has extensive experience in appraising all types of commercial properties including retail, office, office/condominiums, multifamily, industrial, and special purpose properties. Donnie most recently has become a principal owner in CenTex Appraisals. CenTex Appraisals is a real estate appraisal and consulting firm in Georgetown, Texas. Mr. Donnie L. Smith is a State Certified General Real Estate Appraiser in the State of Texas. His Certificate Number is: TX-1338244-G.

### EDUCATION

#### Formal:

Georgetown High School, Georgetown, Texas - Graduated 5/91 - General

#### Professional and Technical Courses (Successfully Completed):

<b>Course</b>	<b>Provider</b>	<b>Date</b>
Principles of Real Estate 0111	Austin Institute of Real Estate	March 1998
Laws of Contracts 1200	Austin Institute of Real Estate	March 1998
Real Estate Math 0611	Austin Institute of Real Estate	May 1998
Laws of Agency	Austin Institute of Real Estate	June 1998
Property Management/Leasing 0811	Austin Institute of Real Estate	September 1998
Basic Income Capitalization 310	Appraisal Institute	February 2001
Uniform Standards of Professional Appraisal Practice	Appraisal Institute	March 2001
Appraisal Procedures 120	Appraisal Institute	April 2001
Uniform Standards of Professional Appraisal Practice	Appraisal Institute	March 2001
Appraisal Principles 110	Appraisal Institute	May 2001
Uniform Standards of Professional Appraisal Practice	Appraisal Institute	September 2005
Advanced Applications 550	Appraisal Institute	October 2005
Appraisal Procedures 120	Columbia Institute	November 2006
Uniform Standards of Professional Appraisal Practice	Columbia Institute	September 2006
Appraisal Principles 110	Columbia Institute	October 2007
2010-2011 Update - Uniform Standards of Professional Appraisal Practice	McKissock Institute	October 2010
Mortgage Fraud	McKissock Institute	October 2010
Land Site Valuation	McKissock Institute	November 2010

### EMPLOYMENT HISTORY:

Motorola Semiconductor Products Sector: 6/91 to 11/02, Process Engineering Technician

J. L. Vick and Company: 4/99 to 04/07 Commercial, Residential and Land Appraisal

Lone Star Appraisals & Realty, Inc: 04/07 to 05/2011. Commercial, Industrial, and Land Appraisal

CenTex Appraisals: 03/2011 to Present. Commercial, Industrial, and Land Appraisal

**Texas Appraiser Licensing and Certification Board**

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

**Certified General Real Estate Appraiser**

Number: **TX 1338244 G**

Issued: **10/15/2014**

Expires: **11/30/2016**

Appraiser: **DONNIE LYNN SMITH**

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

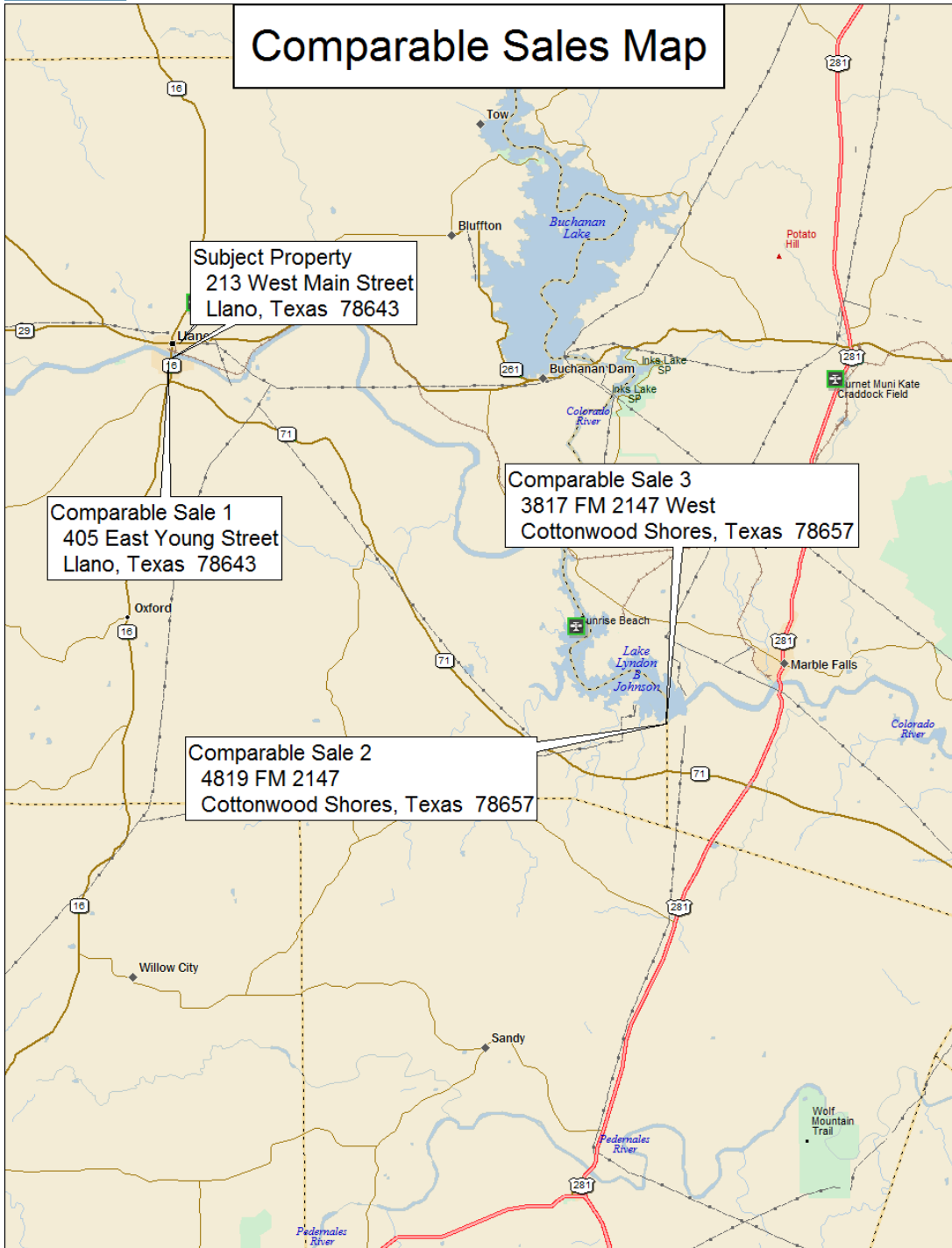


## **ADDENDUM**

### **Comparable Improved Sales Llano Central Appraisal District – Tax Data Subject Property Purchase Contract – Partial Copy Only**

**Comparable Improved Sales**

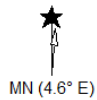
# Comparable Sales Map



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Data Zoom 9-3

**IMPROVED SALES SUMMARY TABLE**

<b>No.</b>	<b>Location</b>	<b>Sale Date</b>	<b>Price</b>	<b>Building Size (SF)</b>	<b>Price/ SF</b>
1.	405 East Young Street	06/22/2012	\$150,000	2,000	\$75.00
2.	4819 FM 2147	04/06/2012	\$260,000	2,851	\$91.20
3.	3817 FM 2147 West	12/28/2013	\$225,000	1,962	\$114.68

## Improved Sale No. 1



### Property Identification

**Record ID** 10  
**Property Type** Office  
**Property Name** Retail Building  
**Address** 405 East Young Street, Llano, Llano County, Texas  
**Tax ID** 28933

### Sale Data

**Grantor** Tonya Revada  
**Grantee** Orville J. & Laura Roberts  
**Sale Date** June 22, 2012  
**Deed Book/Page** 1537/1682  
**Property Rights** Fee Simple  
**Conditions of Sale** Normal Market  
**Financing** Cash to Seller  
**Verification** HLMLS # 116945; Other sources: County Tax & Deed Records, Confirmed by Database Administrator

**Sale Price** \$150,000  
**Cash Equivalent** \$150,000

### Land Data

**Land Size** 1.000 Acres or 43,560 SF  
**Front Footage** 150 ft East Young Street  
**Zoning** C, Commercial  
**Topography** Basically Level  
**Utilities** All Available  
**Shape** Basically Rectangular

### General Physical Data

**Building Type** Single Tenant  
**SF** 2,000

**Improved Sale No. 1 (Cont.)**

<b>Construction Type</b>	Wood Frame
<b>Roof Type</b>	Pitched Metal
<b>Foundation</b>	Concrete Slab
<b>Electrical</b>	Adequate
<b>HVAC</b>	100%
<b>Stories</b>	1
<b>Year Built</b>	1969
<b>Condition</b>	Average

**Indicators**

<b>Sale Price/ SF</b>	\$75.00
<b>Floor Area Ratio</b>	0.05
<b>Land to Building Ratio</b>	21.78:1



## Improved Sale No. 2



### Property Identification

<b>Record ID</b>	13
<b>Property Type</b>	Office
<b>Property Name</b>	Office Building
<b>Address</b>	4819 FM 2147, Cottonwood Shores, Burnet County, Texas 78657
<b>Tax ID</b>	9221

### Sale Data

<b>Grantor</b>	Smithson Properties II, Ltd.
<b>Grantee</b>	CB Enterprises, Inc.
<b>Sale Date</b>	April 06, 2012
<b>Deed Book/Page</b>	201202930
<b>Property Rights</b>	Fee Simple
<b>Conditions of Sale</b>	Normal Market
<b>Financing</b>	Cash to Seller

**Improved Sale No. 2 (Cont.)**

**Verification** HLMLS # 114379; Other sources: County Tax & Deed Records, Confirmed by Database Administrator

**Sale Price** \$260,000  
**Cash Equivalent** \$260,000

**Land Data**

**Land Size** 0.240 Acres or 10,454 SF  
**Front Footage** FM 2147  
**Zoning** Commercial  
**Topography** Basically Level  
**Utilities** All Available  
**Shape** Basically Rectangular

**General Physical Data**

**Building Type** Single Tenant  
**SF** 2,851

**Construction Type** Wood Frame  
**Roof Type** Pitched Composition  
**Foundation** Concrete Slab  
**Electrical** Adequate  
**HVAC** 100%  
**Stories** 1  
**Year Built** 1972  
**Condition** Average

**Indicators**

**Sale Price/ SF** \$91.20  
**Floor Area Ratio** 0.27  
**Land to Building Ratio** 3.67:1

### Improved Sale No. 3



#### Property Identification

<b>Record ID</b>	14
<b>Property Type</b>	Office
<b>Property Name</b>	Office Building
<b>Address</b>	3817 FM 2147 West, Cottonwood Shores, Burnet County, Texas 78657
<b>Tax ID</b>	37678

#### Sale Data

<b>Grantor</b>	John W. & Deborah Rutherford
<b>Grantee</b>	Sony & Paek Han Tuk
<b>Sale Date</b>	December 28, 2013
<b>Deed Book/Page</b>	201300164
<b>Property Rights</b>	Fee Simple
<b>Conditions of Sale</b>	Normal Market
<b>Financing</b>	Cash to Seller
<b>Verification</b>	HLMLS # 117738; Other sources: County Tax & Deed Records, Confirmed by Database Administrator

<b>Sale Price</b>	\$225,000
<b>Cash Equivalent</b>	\$225,000

**Improved Sale No. 3 (Cont.)**

**Land Data**

<b>Land Size</b>	0.351 Acres or 15,298 SF
<b>Front Footage</b>	FM 2147 West
<b>Zoning</b>	Commercial
<b>Topography</b>	Basically Level
<b>Utilities</b>	All Available
<b>Shape</b>	Basically Rectangular

**General Physical Data**

<b>Building Type</b>	Single Tenant
<b>SF</b>	1,962
<b>Construction Type</b>	Wood Frame
<b>Roof Type</b>	Pitched Composition
<b>Foundation</b>	Concrete Slab
<b>Electrical</b>	Adequate
<b>HVAC</b>	100%
<b>Stories</b>	1
<b>Year Built</b>	2001
<b>Condition</b>	Average

**Indicators**

<b>Sale Price/ SF</b>	\$114.68
<b>Floor Area Ratio</b>	0.13
<b>Land to Building Ratio</b>	7.8:1

**Llano Central Appraisal District – Tax Data**

**Llano CAD**

**Property Search Results > 20355 HUTTO JAMES T for Year 2014**

**Property**

**Account**

Property ID: 20355      Legal Description: SOUTH ADDN PT OF BLK 20 INSURANCE OFFICE  
 Geographic ID: 13450-020-OPTA-0      Agent Code:  
 Type: Real  
 Property Use Code:  
 Property Use Description:

**Location**

Address: 213 W MAIN ST      Mapsco:  
 Neighborhood:  
 Neighborhood CD:      Map ID: LC18

**Owner**

Name: HUTTO JAMES T      Owner ID: 39120  
 Mailing Address: PO BOX 216      % Ownership: 100.0000000000%  
 LLANO, TX 78643  
 Exemptions:

**Values**

(+) Improvement Homesite Value:	+	\$0	
(+) Improvement Non-Homesite Value:	+	\$68,490	
(+) Land Homesite Value:	+	\$0	
(+) Land Non-Homesite Value:	+	\$11,900	Ag / Timber Use Value
(+) Agricultural Market Valuation:	+	\$0	\$0
(+) Timber Market Valuation:	+	\$0	\$0
-----			
(=) Market Value:	=	\$80,390	
(-) Ag or Timber Use Value Reduction:	-	\$0	
-----			
(=) Appraised Value:	=	\$80,390	
(-) HS Cap:	-	\$0	
-----			
(=) Assessed Value:	=	\$80,390	



**Taxing Jurisdiction**

Owner: HUTTO JAMES T  
 % Ownership: 100.000000000000%  
 Total Value: \$80,390

Entity	Description	Tax Rate	Appraised Value	Taxable Value	Estimated Tax
CAD	CAD	0.000000	\$80,390	\$80,390	\$0.00
CLN	CITY OF LLANO	0.396330	\$80,390	\$80,390	\$318.61
GLL	LLANO COUNTY	0.279660	\$80,390	\$80,390	\$224.82
RDB	ROAD AND BRIDGE	0.040000	\$80,390	\$80,390	\$32.16
SLL	LLANO ISD	1.168000	\$80,390	\$80,390	\$938.96
Total Tax Rate:		1.883990			
Taxes w/Current Exemptions:					\$1,514.55
Taxes w/o Exemptions:					\$1,514.54

**Improvement / Building**

**Improvement #1: COMMERCIAL IMP State Code: F1 Living Area: 2228.0 sqft Value: \$68,490**

Type	Description	Class CD	Exterior Wall	Year Built	SQFT
MA	MAIN AREA	50	W	1971	1508.0
CP	COVERED PORCH	*		1971	28.0
CP	COVERED PORCH	*		1971	44.0
CRP	CARPOR-ATTACHED	*		1971	400.0
CO	CONCRETE	*		1971	100.0
MA2	SECOND STORY	*		1971	720.0
AS	ASPHALT	*		0	1920.0

**Land**

#	Type	Description	Acres	Sqft	Eff Front	Eff Depth	Market Value	Prod. Value
1	F1	COMMERCIAL LAND IMPROVED	0.0000	0.00	70.00	0.00	\$11,900	\$0

**Roll Value History**

Year	Improvements	Land Market	Ag Valuation	Appraised	HS Cap	Assessed
2015	N/A	N/A	N/A	N/A	N/A	N/A
2014	\$68,490	\$11,900	0	80,390	\$0	\$80,390
2013	\$72,990	\$11,900	0	84,890	\$0	\$84,890
2012	\$72,990	\$11,900	0	84,890	\$0	\$84,890
2011	\$72,990	\$11,900	0	84,890	\$0	\$84,890
2010	\$72,990	\$22,780	0	95,770	\$0	\$95,770
2009	\$72,990	\$22,780	0	95,770	\$0	\$95,770

Llano CAD - Property Details

2008	\$72,990	\$22,780	0	95,770	\$0	\$95,770
2007	\$74,260	\$22,780	0	97,040	\$0	\$97,040
2006	\$74,260	\$22,780	0	97,040	\$0	\$97,040
2005	\$74,260	\$22,780	0	97,040	\$0	\$97,040
2004	\$70,800	\$22,620	0	93,420	\$0	\$93,420
2003	\$70,800	\$22,620	0	93,420	\$0	\$93,420
2002	\$66,260	\$22,620	0	88,880	\$0	\$88,880
2001	\$59,340	\$22,620	0	81,960	\$0	\$81,960
2000	\$51,710	\$22,620	0	74,330	\$0	\$74,330
1999	\$43,460	\$22,620	0	66,080	\$0	\$66,080
1998	\$39,646	\$22,620	0	62,266	\$0	\$62,266

Deed History - (Last 3 Deed Transactions)

#	Deed Date	Type	Description	Grantor	Grantee	Volume	Page	Deed Number
1	7/8/2010	WD	WARRANTY DEED	HUTTO MAC W	HUTTO JAMES T	1523	3290	
2		OT			HUTTO MAC W			0

Questions Please Call (325) 247-3065

**Subject Property Purchase Contract – Partial Copy Only**

## **EARNEST MONEY CONTRACT**

This Earnest Money Contract ("Contract") to buy and sell real property is made and entered into by and between James T. Hutto ("Seller") and the City of Llano, a Texas general law municipal corporation ("Buyer").

### **ARTICLE I** **Property**

1.1 For the purchase price and upon the terms and conditions hereinafter set forth, Seller does hereby agree to sell to Buyer, and Buyer does hereby agree to purchase from Seller the hereinafter described property:

- (a) Being the tracts or parcels of real property described in Exhibit "A" attached hereto and incorporated herein for all purposes ("Land").
- (b) All improvements thereon and all rights, privileges and appurtenances ("Improvements") pertaining thereto.

The Land and Improvements are hereinafter collectively called the "Property".

### **ARTICLE II** **Earnest Money**

2.1. Within five (5) business days after the Effective Date, Buyer shall deliver to Highland Lakes Title Company, located at 200 W. Main, Llano, Texas 78643, telephone number (325) 247-5771 (the "Title Company"), as Escrow Agent, a check or wired funds in the amount of TWO THOUSAND FIVE HUNDRED AND NO/100 DOLLARS (\$2,500.00) as an earnest money deposit (such amount is herein referred to as the "Earnest Money"). If Buyer fails to deposit the Earnest Money with the Title Company on or before the required date set forth herein, Seller may cancel this Contract by written notice to Buyer at any time thereafter prior to Buyer's depositing the Earnest Money with the Title Company. The Earnest Money shall be deposited by the Title Company with a national bank in Llano County, Texas.

2.2. The parties agree to deposit with the Title Company a fully executed copy of this Contract with all attachments and exhibits thereto. The date of the Escrow Agent's receipt of this Contract, after all parties have executed this Contract, shall be deemed to be the date of this Contract, and shall hereafter be referred to as the "Effective Date."

### **ARTICLE III** **Purchase Price**

3.1. The purchase price of the Property shall be Two Hundred Twenty-Five Thousand and no/100 Dollars (\$225,000.00), to be paid in cash as described herein (the Purchase Price). The Earnest Money shall be credited toward the purchase price at closing.

PURCHASE PRICE:

A.	Cash portion of Sales Price	\$225,000.00
B.	Sum of financing described below	\$ 0.00
C.	Sales Price (Sum of A and B)	\$225,000.00

FINANCING: None.

Description of Financing: N/A

**ARTICLE IV**  
**Survey**

4.1. In the event a survey is required by the Title Company or desired by Buyer, Buyer shall obtain a new survey at Buyer's expense no later than three (3) days prior to Closing, and Buyer shall have a survey of the Property prepared and delivered to Seller and the Title Company ("Survey"). The Survey shall be made by a Registered Professional Land Surveyor acceptable to the Title Company and any lender. The Survey shall contain a current certification that the Survey is true and correct, and in favor of Buyer and the Title Company. The cost of the Survey shall be paid by Buyer. Upon completion of the Survey, if any, the Survey shall replace Exhibit "A" in its entirety.

**ARTICLE V**  
**Title Review and Objections**

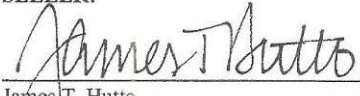
5.1. Seller shall, within twenty (20) days after the Effective Date, cause the Title Company to deliver to Buyer a title commitment (the "Title Commitment") issued by the Title Company, in the amount of the Purchase Price for the Property and reflecting the ownership of and encumbrances upon the Property, together with copies of all items reflected thereon, pursuant to which the Title Company agrees to issue to Buyer an Owner's Policy of Title Insurance covering the Property in the amount of the Purchase Price. The Title Commitment shall be subject to all standard printed exceptions, and exceptions (if any) as provided for in this Contract, except that the survey exception may be amended to read "shortages in area" only. If the Title Commitment or the Survey provided for above reveals defects in title or other conditions which Buyer finds unacceptable, in Buyer's sole discretion, Buyer shall give notice to Seller of such unacceptable conditions within fifteen (15) days after receipt by Buyer of such Title Commitment and Survey. Any liens or security interests securing indebtedness shall be deemed unacceptable notwithstanding Buyer's failure to object to all such matters as aforesaid. In the event Seller fails to remove all such unacceptable conditions within thirty (30) days from the date Buyer delivers such notice, or if such unacceptable conditions cannot be cured within such thirty (30) day period, if Seller fails to commence such cure during such thirty (30) day period and fails to diligently complete such cure at least ten (10) days prior to the date set for closing, Buyer may either (i) cancel this Contract and receive a return of the Earnest Money, or (ii) accept such title as Seller can deliver and close. The Title Commitment shall be updated to



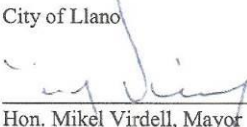
**ARTICLE XXIV**  
**Effective Date**

24.1. The Effective Date of this Contract shall be the date specified in Section 2.2. hereof. The offer implied by presentation of this Contract by Buyer shall be accepted by Seller by delivering a fully executed copy of this Contract to the Escrow Agent no later than **5:00 p.m., Central Time, September 30, 2014**, on failure of which such offer may be withdrawn at any time by Buyer.

Date: 9/29/14

**SELLER:**  
  
\_\_\_\_\_  
James T. Hutto  
Owner

Date: 9-29-14

**BUYER:**  
City of Llano  
  
\_\_\_\_\_  
Hon. Mikel Virdell, Mayor

Receipt of originals of this Contract executed by Seller and Buyer is hereby acknowledged this \_\_\_\_ day of \_\_\_\_\_, 2014. The undersigned agrees to deposit the Earnest Money in an interest-bearing account upon its receipt thereof.

**TITLE COMPANY/ESCROW AGENT**  
HIGHLAND LAKES TITLE COMPANY

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

**EXHIBIT "A"**  
**Property Description**

A tract or parcel of land being part of Block 20 of the South Addition to the City of Llano, Llano County, Texas described in the deed recorded in Volume 1523, Page 3290, Llano County Deed Records, and all improvements thereon, said Property being commonly known as the property and improvements located at 213 W. Main St., Llano, Texas.