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.

SUMMARY OF SALIENT FACTS AND CONCLUSIONS ARAPAHO ROAD PROJECT

Property Owner: 15211 Addison Road JV Parcel Nos. 2, 2-TE

Valuation Conclusion:		
Whole Property		\$705,000
Proposed Acquisition	\$ 69,712	
Remainder Before Acquisition	1	\$635,288
Remainder After Acquisition		\$855,500
Loss in Value of Remainder A	After	\$ -0-
Determination of Compensation:		
Permanent Right of Way (Lan		\$ 64,686
	ents within Proposed Acquisition Area	-
Temporary Construction Ease		\$ 39,556
Compensation for Improveme	ents within Proposed TCE	<u>\$ 63,934</u>
Total Compensation	\$173,202	
Date of Appraisal:	July 21, 2002	
Location:	15223 Addison Road, Town of Addi	son, Texas
Legal Description:	Lot 2, Block 1, Addison Car Care Ad Dallas County, Texas	dition, Town of Addison,
Land Size:	Whole Property (per DCAD records)) 1.6188 Acres
Duniu Billy.	Right of way Area	0.0476 Acres
	Temporary Construction easement	0.5045 Acres
	Parkway Easement	0.1170 Acres
Zoning:	PD (Planned Development District)	
Highest and Best Use:		
As if Vacant BEFORE:	Commercial use	
As if Vacant AFTER:	Commercial use	
,		

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EVALUATION ASSOCIATES RIGHT OF WAY LAND RIGHTS ANALYSIS • APPRAISAL • ACQUISITION • SOLUTIONS

July 22, 2002

Mr. Steve Chutchian, P.E. Assistant City Engineer Town of Addison 16801 Westgrove Addison, Texas 75001-9010

Re: ARAPAHO ROAD PROJECT - Parcel Nos 2, 2-TE Property Owner: 15211 Addison Road JV

An appraisal of a 0.0476 acre proposed permanent right of way acquisition (ROW), a 0.5045 acre proposed temporary construction easement, and a 0.117 acre parkway easement out of an approximate 1.6188 Acre tract of land situated on the southwest corner of Addison Road and proposed Arapaho Road (known locally as 15223 Addison Road). The parent tract is legally described as Lot 2, Block 1, Addison Car Care Addition, Town of Addison, Dallas County, Texas

Dear Mr. Chutchian:

At your request, we have conducted the analysis and investigations necessary to derive the value of the whole property and proposed acquisition areas based on the economic conditions which prevailed on the current valuation date of July 21, 2002. It is understood that the function of the appraisal, and of this summary of data and analysis employed in that appraisal process, will be used as a basis for establishing *just compensation* due to the property owner concerning the intent of the Town of Addison to acquire the referenced right of way for the widening, realignment and improvement of Arapaho Road.

This appraisal was prepared in accordance with valuation principles which conform with the State of Texas condemnation laws and subsequent legal precedents based on, but not limited to, *State v Carpenter*, 89 SW 2nd, 1936. Further, this report addresses appraisal guidelines of the International Right of Way Association, the Appraisal Institute, and is classified as a *limited summary* report format under the Uniform Standards of Professional Appraisal Practice (USPAP) promulgated by the Appraisal Foundation. The methods of valuation and reporting are also consistent with an acceptable process relevant to the nature of the whole property and the proposed acquisition area. All herein mentioned value estimates are market oriented and based on the principle of Value in Exchange rather than Value in Use to a specified owner. These value terms, along with other appraisal terminology, are defined in the addendum section of this report. Mr. Steve Chutchian July 22, 2002

Owner Contact

The subject property was inspected from various points of reference on several dates from June to July 2002, with the date of our last inspection being July 21, 2002, also the valuation date. The enclosed photographs were personally taken by the undersigned appraiser during the same time frame. Based on our research, the subject property was purchased by the current owner in August 1996 for \$528,600. The appraisers were not provided any historical or current rental and expense information for the subject property. There are no known contracts or offers for sale on the subject whole property. Property information was obtained from public records and a physical inspection. It is important to note that a written request was extended to the owners for pertinent property information. A copy of our request is included in the addendum of this report. The owner made no response to our request for pertinent property information.

Based on a review of engineering design and construction plans provided by the Town of Addison, and an inspection of the subject whole property, after the acquisition the site should have the same access and superior exposure when compared with the before condition. Related analysis is described in more detail in the Analysis and Valuation of the Proposed Acquisition Section later in this report. It will also be explained how and why there is no loss of marketability and utility of the property after the acquisition. The appraisers have analyzed the subject property both **before and after** the proposed acquisition and found no diminution in value beyond the portion of the property within the proposed right of way, which is to be compensated.

Subject Site Description

According to investigation of Dallas County Plat Maps, field review by Evaluation Associates, and information provided by the Town of Addison, the subject whole property fronts 245.56 feet along the west side of Addison Road. The subject property also fronts 199.34 feet along the south side of proposed Arapaho Road. The right of way for this roadway was apparently dedicated in 1987 as part of the plat for the subject property. The road, however, has not been constructed. The irregular shaped tract contains 1.6188 acres. All public utilities are available to the subject property. Topographical features include generally level terrain. There are three easements located on the subject parent tract. First at the southeast corner of the property, a rectangular shaped 15 foot drainage and street easement extends approximately 80 feet along the Addison Road frontage. It is adjacent to and intersects with a 10 foot wide drainage easement which extends west-east through the property. The third easement is a 24 foot wide emergency access and utility easement which is approximately 20 feet east of the western property boundary and generally runs parallel to this property line. It appears none of the easements presently negatively impacts the subject property and upon re-development, a land planner can design a site layout where these easements continue to exert no negative influence on the utility of the property. There were no other noted or observed easements, encroachments or other special hazards that might effect the marketability or utility of the subject parent tract. The subject site is similar to other commercial sites found within this market area.

Subject Improvements

Based on a review of public records and field review by Evaluation Associates, the aforementioned subject site is improved with several buildings totaling 19,665 SF. The exterior condition of each is considered fair to poor, considering the age and outdated design. No detailed interior inspection was made as there was no response from the owner as of the date of this report. Evaluation Associates

Mr. Steve Chutchian July 22, 2002

personnel entered some of the buildings, without disclosing the proposed acquisition, to make informal inspections. No photographs were made of the interiors. Based on limited observation, the interior is in no better nor worse condition than the exterior. The improvements appear near the end of the physical and economic life. It appears as though the improvements will continue to be utilized until such time as new Arapaho Road is constructed and it is feasible to raze the existing improvement in favor of new, current designed commercial facilities (not necessarily an automotive repair shop). The continued occupancy of the subject improvements provides monies to pay operating expenses (ad valorem taxes, building insurance, and the like). Any rental income generated from the subject improvements does not likely provide sufficient cash flow to fully service any debt associated with the subject property, nor provide an adequate cash return on investment.

Zoning

Based on our review of the Town of Addison Zoning Map, the subject whole property is zoned PD, Planned Development District. The subject site is improved with cinder block buildings currently used for automotive repair purposes. It appears that the subject property is a legal conforming use both before and after the proposed acquisition. The City requires and maintains certain building and site requirements in this district, a copy of which has been retained in the file.

Highest and Best Use

The highest and best use is that use which will provide the greatest net return to the owner of the land within applicable physical, legal and financial market acceptance constraints. These criteria are usually considered and tested sequentially; i.e., a use may be financially feasible, but this is irrelevant if it is physically impossible or legally prohibited. Highest and Best Use is defined in *The Appraisal of Real Estate*, 11th Edition, published by the Appraisal Institute as being:

"the reasonably probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value."

Physical factors include physical characteristics of the site such as shape, size, topography, ingress and egress. The subject property encompasses 1.6188 Acres. The tract has adequate size, shape, ingress and egress. Visibility and exposure is to Addison Road, a secondary north-south street. All utility services are available in the site. The physical influences indicate the subject site could support a variety of uses.

The legal limits to Highest and Best Use in this case are determined by the zoning ordinance. As previously discussed, the subject property is designated for commercial uses. Analysis of the physical and legal factors suggest that the highest and best use of the subject property is for commercial uses. All other uses are eliminated as the legal constraints prohibit such uses.

An analysis of financial factors would include determining uses which produce a market accepted rate of return based on the risks involved. The area surrounding the subject property is developed as a variety of uses - restaurants, professional offices, office/showroom, etc. There are few vacant tracts available for development. Likewise, there are few vacant commercial zoned tracts of land.

Mr. Steve Chutchian July 22, 2002

Highest and Best Use Conclusion

The highest and best use of the whole subject property, as vacant, is for a commercial use.

Valuation Approach

Analysis indicates that the existing industrial buildings are

The highest and best use of the subject property, as vacant, is commercial use.

near the end of their physical and economic life. That being the case, the stimulus for redevelopment is the construction of the new Arapaho Road. As noted, right-of-way for this road has previously been dedicated. That is, the valuation approach utilized in this report does not take into consideration project influence in estimating the value of the subject whole property in the before condition. The Arapaho Road Project has begun and will likely be completed within the next one to two years. Wherein it appears to be a short time horizon for re-development of the subject property and the existing improvements represent, at best an interim use, the valuation approach utilized is a discounted cash flow analysis.

Based on information supplied and investigations made by Evaluation Associates personnel, it appears that after the completion of the thoroughfare widening and improvement project, there should be no negative impact on the remainder resulting from the proposed acquisition. Access and visibility should be similar both *before* and *after* the proposed acquisition. The site is not adversely affected by the proposed acquisition and the subject property (land and improvements) is valued on a discounted cash flow basis. Additional detail and discussion in support of this conclusion can be found in the Analysis and Valuation of the Proposed Acquisition Area section.

Conclusion

Our research has included an investigation of market and neighborhood trends which are believed to influence the value of the subject whole property. Specific attention and consideration was given to the value of the subject property, both **before and after** the proposed right of way acquisition area. Based upon our analyses and interpretation of the data, the Market Value of the proposed acquisition area as of July 21, 2002, is estimated to be:

ONE HUNDRED SEVENTY THREE THOUSAND TWO HUNDRED TWO DOLLARS (\$173,202)

The following narrative report sets forth a description of the subject property along with maps, photographs and other exhibits. The report has been prepared in accordance with the Code of Ethics and Professional Conduct promulgated by the Appraisal Institute and the International Right of Way Association. The report is subject to the Assumptions and Limiting Conditions included in the Addendum.

This report was prepared by James W. Cullar, Jr. and Richard N. Baker, both representing the firm Evaluation Associates, and deriving the analysis and value estimate conclusion. The undersigned assumes responsibility for any required testimony.

Mr. Steve Chutchian July 22, 2002

If you have any questions, please call us.

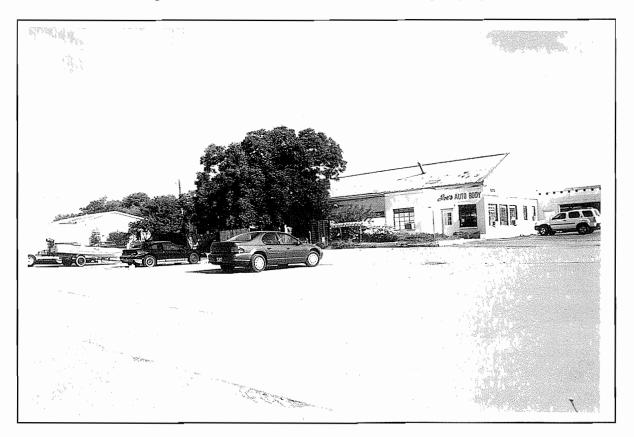
Respectfully submitted, EVALUATION ASSOCIATES

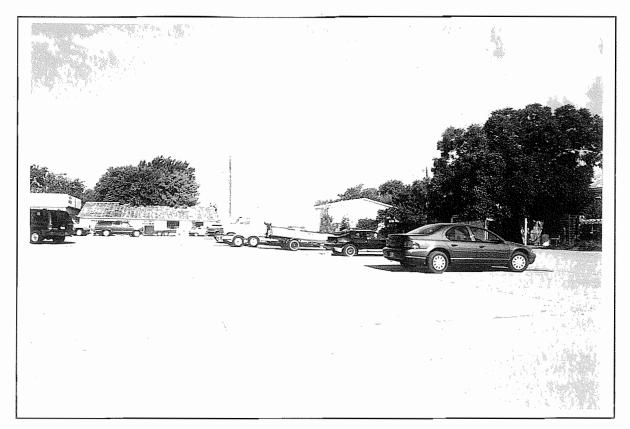
me James W. Cullar, Jr., SRPA, SRA, SR/W

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Facing west across Addison Road toward the subject property





View of the subject property

The estimation of Market Value of a property that is being appraised is accomplished by the comparison and analysis of as many techniques as are appropriate. Three approaches are generally used to produce value indications for improved properties while only one (the Sales Comparison Approach) is normally employed in analyzing an unimproved property such as the subject site.

COST APPROACH The value indication by this approach is accomplished by determining the Reproduction (or Replacement) Cost New of the improvements less accrued depreciation from all causes to which the value of the land (estimated by comparison) is added.

SALES COMPARISON APPROACH The comparison of similar properties that have sold in the marketplace is used to produce an indication of value. The comparison may either be direct or indirect by commonly accepted units or elements of comparison.

INCOME APPROACH This approach to value is applicable to properties capable of producing a net income stream. The net income is translated into a value indication through capitalization.

The strengths and weaknesses of each approach employed are weighed in the final analysis. The approach or approaches offering the greatest quantity and quality of supporting data are typically given most consideration and the final value is then correlated.

In this appraisal situation, wherein only the land valuation was required, only the Sales Comparison Approach was employed.

LAND VALUATION

A reliable value indication for the subject land is provided by an analysis and comparison of other tracts that have sold in the marketplace. Many factors influence the price of vacant land. The selected sales are analyzed with respect to real property rights conveyed, financing terms, conditions of sale, market conditions, location and physical characteristics.

> A transaction price is always predicated on the real property interest conveyed. The revenue generating potential of a property can be limited by the terms of existing leases.

> The purchase price can be influenced by financing terms. Non-market financing terms must be considered to determine the cash equivalent price.

Adjustments for conditions of sale usually reflect the motivations of the buyer(s) and the seller(s). Circumstances such as assemblage sales are considered in this analysis.

Market conditions sometimes change over time and past sales must be analyzed to determine the direction and velocity of change between the sale date and the appraisal date.

The analysis of location includes the comparison of trade or market area, proximity and accessibility to major thorough fares and exposure and accessibility to traffic.

The analysis of physical characteristics would include zoning, topography, frontage, depth, shape, proximity to public utilities and other factors influencing the utility or use.

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COMPETITIVE LAND SALE



Land Sale No. 1

Mapsco # 14-A

Location:	N/s of Realty Road, Addison	
Grantor:	Lincoln Trust Company	
Grantee:	Osteomed Corporation	
	-	
Legal Description:	Lot 4R, Block 1, Beltline-Marsh Bus	siness Park Addition
Date of Sale:	April 26, 2001	Volume/Page: 2001082/6116
Site Data:	-	
Size:	4.3625 Acres	
Zoning:	Industrial	
Utilities:	All available	
Frontage:	Along Realty	
Shape:	Functional	
Topography:	Level	
Easements:	None reported detrimental	
Improvements	: None	
Intended Use:	Office	
Consideration:	\$1,000,000 or \$5.26/SF	
Financing:	All cash to seller	
Comments:	Site is currently vacant.	

COMPETITIVE LAND SALE



Land Sale No. 2

Mapsco # 4-P

Legal Description:Lots 5 and 20, Part of Lots 4 and 21, Block A, Carroll Estates Addition; Part of Lots 4 and 5, Block B, Carroll Estates AdditionDate of Sale:January 31, 2000Volume/Page: 200096/2365Site Data:I.341 AcresSize:1.341 AcresZoning:Light IndustrialUtilities:All availableFrontage:Midway RoadShape:Generally rectangular
Site Data:Size:1.341 AcresZoning:Light IndustrialUtilities:All availableFrontage:Midway Road
Size:1.341 AcresZoning:Light IndustrialUtilities:All availableFrontage:Midway Road
Zoning:Light IndustrialUtilities:All availableFrontage:Midway Road
Utilities: All available Frontage: Midway Road
Frontage: Midway Road
-
Shape Generally rectangular
Shape. Scholary restangalar
Topography: Level
Easements: None reported detrimental
Improvements: None
Intended Use: Office/commercial facility for King Aerospace
Consideration: \$470,000 or \$8.05/SF
Financing: All cash to seller
Comments: Property remains vacant as of the date of appraisal.

COMPETITIVE LAND SALE

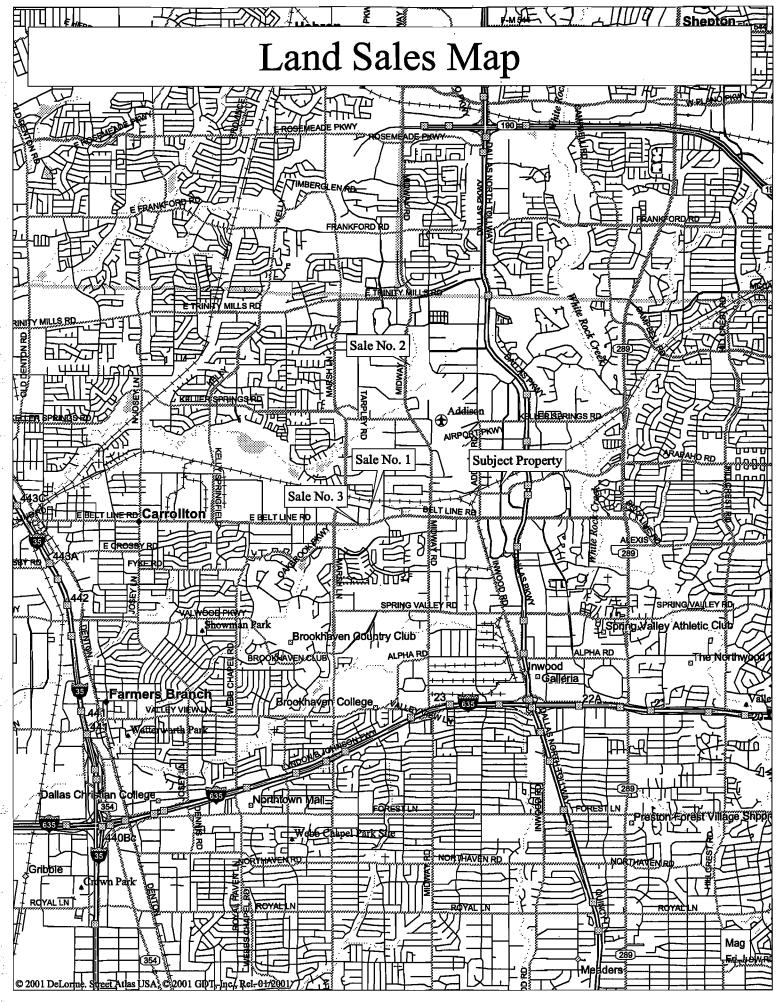




Land Sale No. 3

Mapsco # 14-A

Location: Grantor: Grantee:	N/s of Belt Line Road, 15 ft E. of Business Avenue, Addison Business/Beltline, LP Burger King Corporation				
Legal Description:	Lot A, Block 3, Beltline Marsh Busin	ness Park			
Date of Sale: Site Data:	October 1, 1999	Volume/Page: 99192/6903			
Size:	1.571 Acres				
Zoning:	Commercial				
Utilities:	All available				
Frontage:	158 feet on Belt Line Road				
Shape:	Functional				
Topography:	Level				
Easements:	None reported detrimental				
Improvements	: None				
Intended Use:	Investment				
Consideration:	\$785,000 or \$11.47/SF				
Financing:	All cash to seller				
Comments:	Property is improved a Burger King	restaurant.			



LAND VALUATION SUMMARY

The subject property is located in Addison. The area is largely developed, thus other competing neighborhoods were researched for sales data. The following sales are very similar to the subject whole property in many respects, however there are some differences. Such differences make it necessary to apply adjustments to the sale properties in order to reconcile the affect of these features on Market Value.

Sale No.	Date	Size (Ac)	Zoning	SP/SF
1	4/01	4.3625	I	\$5.26
2	1/00	1.341	LI	\$8.05
3	10/99	1.571	С	\$11.47
SUBJECT	7/02	1.6188	PD	

RECAPITULATION OF SALES DATA

The above table capsulizes the data presented on the preceding pages. The chart that follows after this section, uses the **sales price per square foot as a unit of comparison**. The sales are analyzed and compared with the subject tract for similarities and differences. The elements considered to be inferior to the subject property are adjusted upward while the superior qualities of the competitive sales are adjusted downward. Adjustments have been based on the appraisers observations of physically and economically oriented differences in each competitive sale. The amount of adjustment is determined by the extent to which the sale varies from the subject property. The adjustment process compensates for the difference between the competitive sale and subject and provides an indication of value for the subject property.

ANALYSIS AND CORRELATION

The preceding summary chart displays three land sales for comparison to the subject whole property/parent tract. A reliable value indication for the subject land is provided by an analysis and comparison to other vacant land that has recently sold in the marketplace. This market derived sales data has been used to abstract and analyze property features that affect sales price. Rights conveyed, financing terms, conditions of sale, location, market conditions and physical characteristics were factors considered to determine which influences price in the subject market area.

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Rights Conveyed

The market value fee simple interest in the subject whole property is being sought in this analysis. During the sales verification process, it was determined that there were no existing leases on any of the sale properties, thus indicating that fee simple interest was transferred in each transaction. Therefore, no adjustment is applied to any of the sales for this factor.

Financing Terms

The adjustment for financing considers the effect that seller financing has on the purchase price of a property. Below market interest rates are typically reflected in higher prices per unit. The adjustment for financing is estimated by comparing the financing terms with the terms readily available, as of the sale date, from disinterested parties. All of the sales were reported as cash transactions, thus no adjustment was appropriate for financing terms.

Conditions of Sale

Adjustments for conditions of sale usually reflect the motivations of the buyer and seller or any unusual concessions by either party to the transaction. The sales were purchased for owner use and/or speculative investment purposes. No adjustment for this factor is applied.

Market Conditions

The sales occurred over an approximate two and half year period prior to the valuation date (July 2002). The sales did not provide substantive evidence on which to base a time/market conditions adjustment.

Location

The influence of location is a composite of numerous attributes such as access, exposure, visibility, quality and consistency of surrounding development, proximity to major roadways and location within the perceived growth pattern as evidenced by existing and planned development.

Sale No. 3 fronts Beltline Road, a major traffic artery. Land uses fronting Belt Line are typically those commercial uses requiring exposure to high traffic counts. Such uses include restaurants, retail and the like. As noted, the subject whole property fronts Addison Road. This sale location is rated slightly superior to the subject location and a downward adjustment is applied.

Located on the east side of Midway Road, at Commander, Sale No. 2 also fronts a busy street. The Addison Airport abuts this sale on the east. Office/warehouse, office/showroom and industrial flex space uses are situated along the secondary streets to the west, some front Midway. This sale is positioned south of the retail activity at the Trinity Mills/Midway intersection. Overall, it is rated similar to the subject property with regard to locational attributes.

Sale No. 1 is located west of the subject property and will front new Arapaho Road. This sale is an interior tract but lacks traffic volume which the subject location near Addison Road and Belt Line Road generates. Therefore, this sale is rated inferior in terms of locational characteristics and an upward adjustment is applied.

Physical Characteristics

The analysis of physical characteristics considers such factors as shape, depth, frontage, zoning, topography and the availability of public utility services. The shape of the subject property is generally rectangular. It has good ingress/egress, and access to the site is considered good. The tract has adequate depth for commercial development. All of the sale properties compare favorably with the subject with regard to physical features.

Size

The market for real estate is comparable to that for other commodities in that price is sometimes influenced by volume (quantity or scarcity). It can generally be demonstrated that as volume decreases, the price per unit will likely rise. In contrast, unit price typically declines when volume increases. If all other attributes are equal the site may sell for more on a unit basis than a larger one due to reduced holding costs and less risk. However, larger parcels which have potential for various uses, even though additional development and an extended period prior to sale, are adaptable to larger scale intended uses and sometimes sell for a premium. Therefore, in real estate, the aspect of quantity discounting should not be assumed because it is not an economic principle, but rather an inconsistent market reaction. It should be supported by market transactions if available. The subject site contains approximately 1.6188 acres. The sales range in size from 1.3 to 4.3 acres. A comparison of the sale properties supports a size adjustment. The following exhibit presents a reconciliation of the adjustment process.

Elements of Comparison	Sale No. 1	Sale No. 2	Sale No. 3
SP/SF	\$5.26	\$8.05	\$ 11. 47
Rights Conveyed	Fee Simple	Fee simple	Fee simple
Financing	Cash	Cash	Cash
Conditions of Sale	Market	Market	Market
Market Conditions	Similar	Similar	Similar
Adjusted Price	\$5.26	\$8.05	\$ 11.4 7
Location	Inferior +30%	Similar	Superior -20%
Physical features	Similar	Similar	Similar
Size	Inferior +20%	Similar	Similar
Net Adj.	50%	0%	-20%
Indicated Value	\$7.89	\$8.05	\$9.18

The sale prices ranged from \$5.26/SF to \$11.47/SF before the analysis. After the analysis, the adjusted values ranged between \$7.89/SF and \$9.18/SF. After adjustments were made to the sale properties, this approach produced a relatively narrow range of indicators. In view of these indicators, the Market Value of the subject land is estimated to be:

1.6188 Acres x 43,560 SF/ Ac = 70,515 Rd 70,515 SF x \$9.00/SF = \$634,635 **Rounded to: \$635,000**

Discounted Cash Flow Analysis

As noted in the Subject Site Description, the subject property appears to be occupied but current existing lease information was not available to the appraisers. It is necessary, therefore, to estimate a market rental rate for the improvements. The subject improvements exhibit outdated design and overall property condition is rated fair to poor. The current usage appears to be for storage and automotive repair. It is unlikely the improvements are air-conditioned, except perhaps any office space, which is minimal. Research was conducted to identify similar rental properties to the subject. None were found. Therefore, the appraisers have utilized rental information for older office/warehouse space found in the area. The lower end of the rental rate range, \$3.00/SF, was selected due to the condition of the subject property. The annual rental income would approximate \$58,995 or \$4,916/Mo (19,665 SF x \$3.00/SF). There are expenses related to the subject property. These are discussed below.

Management

The subject property must be considered as an investment under prudent management. A charge is made to reflect either the owner's input of time and attention or that of a professional agent. The management expense includes property supervision. It is believed that a prudent owner, if performed his self or herself, would set aside specific funds to account for time and services associated with management of the property. Wherein there is minimal management required for the subject property, the appraiser has estimated a monthly expense of \$295 or 6% of rental income.

Ad Valorem Taxes

Dallas Central Appraisal District (DCAD)currently values the subject property at \$884,290. The assessed value has increased over the past five years. The subject property is located within the taxing jurisdictions of Dallas County, Town of Addison, and the Dallas Independent School District. The chart on the following page depicts the impact on taxes due to the combined effects of a increasing assessed value and a changing tax rate.

Year	Assessed Value	Tax Rate per \$100	Estimated Taxes
1997	\$506,230	2.3511/100	\$11,902
1998	\$506,230	2.293604/100	\$11,611
1999	\$884,290	2.29829/100	\$20,275
2000	\$884,290	2.560367/100	\$22,641
2001	\$884,290	2.624525/100	\$23,208

The net effect over the past three years of a changing tax rate and a stable assessed value is a relative stable tax burden. Therefore for purposes of this analysis, the appraisers have assumed the ad valorem taxes will remain unchanged.

Brokerage Commission

This method of valuation assumes a sale at the end of the project. After the acquisition, the subject site will contain 68,440 SF. The value of the remainder site is estimated to be 12.50/SF. The brokerage commission is 51,330 ($855,500 \times 6\%$).

Insurance

The structures are insured in this area and are leased on a gross basis with the owner paying building insurance (not contents). Based on interviews with local insurance agents, the rate for a property like the subject should be approximately \$0.12/SF *times* 19,665 SF *equals* \$2,360 Rd.

No other expenses are projected for the subject property.

Discount Rate

Periodic income and reversions are converted into present value by a general procedure called discounting which is based on the assumption that benefits received in the future are worth less than the same benefits received today. The mechanism that compensates all types of investors for foregoing present benefits (immediate use of capital) in favor of accepting future benefits is the payment of return on the investment. This payment is called interest or yield. An inherent assumption in the discounting procedure is that the return of capital will be accomplished through periodic income, the reversion, or a combination of both.

The specific discount, or interest rate, selected to convert future income into present value is based on the level of perceived risk of the investment. Of these two elements, the portion attributable to timing is generally considered easier to quantify.

The base rate for the timing of the flow is a "pure" rate, or that rate which has no risk factor built into it. The most similar investment to one without risk is widely perceived to be government debt issues, such as Treasury Bills, Notes, and Bonds. There is some risk in these investment vehicles, although it is minimal and these rates are the best available benchmark.

Risk

As previously outlined, there are numerous risks to which the receipt of the cash flows are subject. Based on an inspection of the subject property and the immediate neighborhood, these risks appear slightly above average when compared with the typical for real estate investments. The risks do include the tenant's ability to make the monthly lease payment.

The prime rate at the nation's money center banks is reported to be 4.75% reflecting recent efforts to stimulate a decelerating and/or stagnate economy, the rate has been decreased several times during the past year. It is unclear whether Federal Reserve policymakers will continue to add stimulus to the economy. In addition, we contacted regional lenders to establish relevant local practices.

In order to estimate the appropriate rate applicable to the equity position, consideration is given to yields on competing investments. Bond yields are often used as a benchmark for interest risk rates on real estate investments. A recent survey published by The Appraisal Institute indicated the yields listed below:

Survey of Bond Yields	<u>As of May, 2002</u>
US Treasury Bonds (1-10 Yr.)	5.21%
Corporate Bonds, Aaa (1-10 Yr.)	6.76%
Corporate Bonds, A-BBB/Baa(1-10 Yr.)	8.03%

The preceding bond survey indicated yields from 5.21% to 8.03%. The yield rate of a real estate investment is regarded as somewhat similar to that which securities attract. It reflects an

anticipation on the part of purchasers that cash flows will likely improve as lending interest rates fall or rental levels increase. As previously discussed, the subject competitive market is primarily comprised of locally owned, regional and national businesses who cater a variety of services in the area. Therefore, an yield rate slightly higher than the bond yields best reflects current industrial market conditions in the subject neighborhood. Considering the quantity and quality of the potential rental income on the subject property an 10% return is appropriate. This rate is slightly above the yield of the high-grade corporate bonds which are judged to have a lesser degree of risk compared to the subject project.

The following table displays the discounted cash flows for the subject property. This discounted cash flow analysis indicates the value of the subject property (land and improvements) is \$705,000 (Rounded). As previously estimated, the Sales Comparison Approach produced a value for the subject site (LAND ONLY) of \$635,000. The difference between the land value and the whole property value is the contributory value of the improvements.

Whole Property Value	\$705,000
Less: Land Value	<u>\$635,000</u>
Contributory Value of the Improvements	\$70,000

Per public records, the total square footage of the improvements is 19,665 SF or 3.56/SF (70,000 / 19,665 SF = 3.56/SF Rounded).

	Aug-02	Sep-02	Oct-02	Nov-02	Dec-02	Jan-03	Feb-03
Monthly Rental Income	\$4,916.00	\$4,916.00	\$4,916.00	\$4,916.00	\$4,916.00	\$4,916.00	\$4,916.00
Expenses Mgmt Ad Valorem Taxes Insurance	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00 \$23,208.00 \$2,360.00	\$295.00	\$295.00
Total Monthly Expenses	\$295.00	\$295.00	\$295.00	\$295.00	\$25,863.00	\$295.00	\$295.00
Net Monthly Income	\$4,621.00	\$4,621.00	\$4,621.00	\$4,621.00	-\$20,947.00	\$4,621.00	\$4,621.00

Monthly Rental Income	Mar-03 \$4,916.00	Apr-03 \$4,916.00	May-03 \$4,916.00	Jun-03 \$4,916.00	Jul-03 \$4,916.00	Aug-03 \$4,916.00	Sep-03 \$4,916.00
Expenses Mgmt Ad Valorem Taxes Insurance	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00
Total Monthly Expenses	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00
Net Monthly Income	\$4,621.00	\$4,621.00	\$4,621.00	\$4,621.00	\$4,621.00	\$4,621.00	\$4,621.00
aama	******	****	******	******	*****	***	
Monthly Rental Income	Oct-03 \$4,916.00	Nov-03 \$4,916.00	Dec-03 \$4,916.00	Jan-04 \$4,916.00	Feb-04 \$4,916.0	Mar-04 0 \$4,916.0	Apr-04 0 \$4,916.00

Expenses Mgmt Ad Valorem Taxes Insurance	\$295.00	\$295.00	\$295.00 \$23,208.00 \$2,360.00	\$295.00	\$295.00	\$295.00	\$295.00
Total Monthly Expenses	\$295.00	\$295.00	\$25,863.00	\$295.00	\$295.00	\$295.00	\$295.00

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Monthly Rental Income	May-04 \$4,916.00	Jun-04 \$4,916.00	Jul-04 \$4,916.00	Aug-04 \$4,916.00	Sep-04 \$855,500.00	
Expenses Mgmt Ad Valorem Taxes Insurance	\$295.00	\$295.00	\$295.00	\$295.00	\$51,330.00	
Total Monthly Expenses	\$295.00	\$295.00	\$295.00	\$295.00	\$51,330.00	
Net Monthly Income	\$4,621.00	\$4,621.00	\$4,621.00	\$4,621.00	\$804,170.00	
Discount Rate Present Value	10.00 \$705.261.5					

CORRELATION AND CONCLUSION

The subject property is improved with several buildings which are in fair to poor condition. Considering the condition, it is difficult to accurately estimate all forms of depreciation. In this appraisal situation, the Cost Approach was not considered applicable.

Currently, the existing buildings generate rental income but details regarding actual income and expenses was not available to the appraisers. Market data was utilized to estimate both rental income and expenses for the subject facility. The condition of the improvements combined with the ongoing Arapaho Road project indicate the existing improvements do not represent the highest and best use. These improvements are likely to be utilized on an interim basis. Considering the short duration for the continued use of the existing improvements, a discounted cash flow model was used to estimate the contributory value of the improvements. The Income Approach to estimate value provided an indication of value for both the land and improvements.

The Sales Comparison Approach analyzes trends of buyers and sellers from the analysis of competitive land sales. Rights conveyed, financing terms, conditions of sale, location, market conditions and physical characteristics were factors analyzed to determine the influence on price in this market area. Each sale was inspected, analyzed and compared with the subject property. Adjustments were made to each to reconcile differences in locational attributes and physical differences (size)

The Sales Comparison Approach and Income Approach produced the only reliable and supportable indications of market value for the subject property. Therefore, the Market Value of the fee simple interest in the subject whole property (Land and Improvements), as of July 21, 2002, is estimated to be:

SEVEN HUNDRED FIVE THOUSAND DOLLARS \$705,000

Parcel 2 Field Note Description Arapaho Road Project Town of Addison Dallas County, Texas

BEING a description of a 0.0476 acre (2,075 square foot) tract of land situated in the Edward Cook Survey, Abstract Number 326, Town of Addison, Dallas County, Texas, being a portion of a called 1.6188 acre tract of land conveyed to 15211 Addison Road Joint Venture on August 7, 1996 and recorded in Volume 96156, Page 04963 of the Deed Records of Dallas County, Texas, said called 1.6188 acre tract being a portion of Lot 2, Block 1, of Addison Car Care, an addition to the Town of Addison as evidenced by the map recorded on June 8, 1987 and recorded in Volume 87111, Page 0286 of said Deed Records; said 0.0476 acre tract of land being more particularly described by metes and bounds as follows;

BEGINNING at a "PK" nail set at the North end of a cut back corner located at the Southwest intersection of Addison Road (variable width) with Arapaho Road (60 feet wide) as dedicated by said plat of Addison Car Care, said nail also being the Northwest corner of a called 0.117 acre (5,112.33 square foot) tract for a 20 foot wide proposed Parkway Easement for Addison Road as evidenced by exhibit furnished by Birkhoff, Hendricks, & Conway, LLP., and signed by Gary Clinton Hendricks, Registered Professional Land Surveyor No. 5037 on April 30, 2002;

THENCE, SOUTH 00°18'13" EAST, along the West line of said called 0.117 acre tract, being 20 feet West of, measured at a right angle, and parallel to the existing West right of way of said Addison Road, a distance of 17.78 feet to a "PK" set in the proposed South right of way line of Arapaho Road;

THENCE, along the proposed South right of way line of Arapaho Road the following courses and distances:

NORTH 45°03'52" WEST, a distance of 7.79 feet to a "PK" nail set for an angle point;

WEST, a distance of 18.49 feet to a "PK" nail set for the point of beginning of a tangent curve to the left;

PARCEL 2 - ARAPAHO ROAD PROJECT

WESTERLY, along the arc of said curve to the left having a radius of 810.00 feet, a central angle of 12°41′54″, a chord bearing South 83°39′03″ West for 179.15 feet, for an arc distance of 179.52 feet to a 5/8 inch iron rod set in a curve of the common Northwest line of said called 1.6188 acre tract and the Southeast line of a called 3 & 48/100 acre tract of land conveyed to St. Louis Southwestern Railway Company of Texas on January 15, 1902 as evidenced by the deed recorded in Volume 278, Page 115 of said Deed Records;

THENCE, NORTHEASTERLY, departing said proposed right of way line of Arapaho Road, along said common line and the arc of a non-tangent curve to the right having a radius of 714.00 feet (called 713.94 feet), a central angle of 00°43'36", a chord bearing North 32°09'20" East for 9.06 feet, for an arc distance of 9.06 feet to a 5/8 inch iron rod set for the common Northwest corner of said called 1.6188 acre tract and Southwest corner of the dedication of said Arapaho Road by said plat of Addison Car Care;

THENCE, EASTERLY, departing said common line and along the common North line of said called 1.6188 acre tract and existing South right of way line of said Arapaho Road, along a non-tangent curve to the right having a radius of 670.00 feet, a central angle of 15°19'50", a chord bearing North 82°09'51" East for 178.74 feet, for an arc distance of 179.27 feet (called 179.44 feet) to a "PK" nail set for the point of tangency of said curve;

THENCE, NORTH 89°49'46" EAST (called North 89°39' West), continuing along said common line, a distance of 20.07 feet to the **POINT OF BEGINNING**;

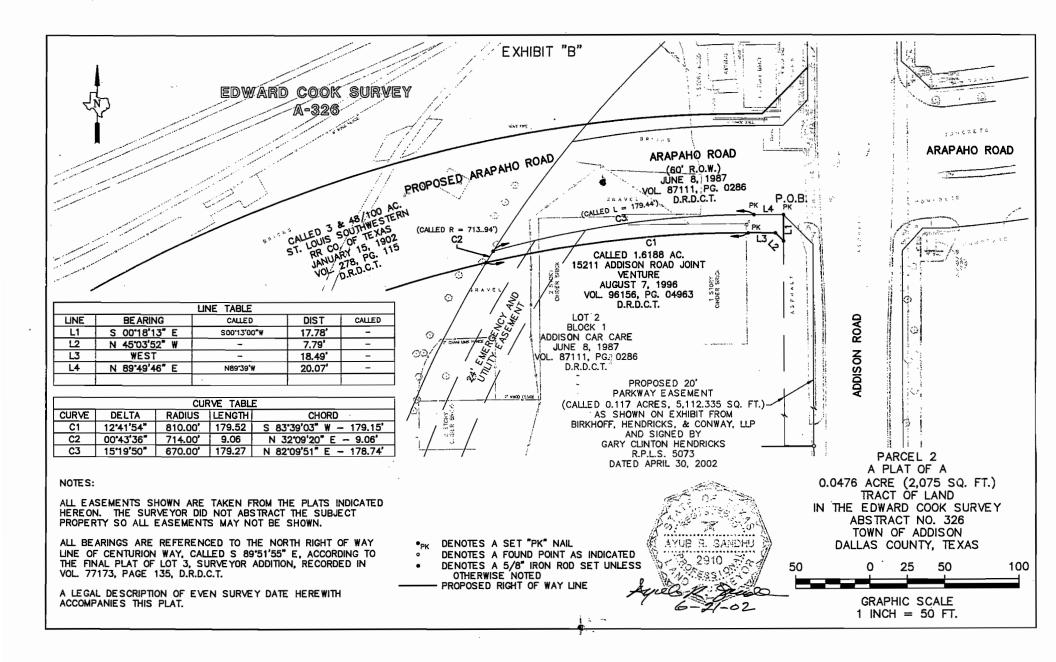
CONTAINING an area of 0.0476 acres or 2,075 square feet of land within the metes recited.

PARCEL 2 - ARAPAHO ROAD PROJECT

All bearings are referenced to the North Right of Way line of Centurion Way, called S 89°51'55" E, according to the final plat of Lot 3, Surveyor Addition, recorded in Vol. 77173, Page 135, Deed Records of Dallas County, Texas.

A plat of even survey date herewith accompanies this description.

I, Ayub R. Sandhu, a Registered Professional Land Surveyor, hereby certify that the legal description hereon and the accompanying plat represent an actual survey made on the ground under my supervision.



1 P.

Parcel 2-TE Field Note Description Arapaho Road Project Town of Addison Dallas County, Texas

BEING a description of a 0.5045 acre (21,975 square foot) tract of land situated in the Edward Cook Survey, Abstract Number 326, Town of Addison, Dallas County, Texas, being a portion of a called 1.6188 acre tract of land conveyed to 15211 Addison Road Joint Venture on August 7, 1996 and recorded in Volume 96156, Page 04963 of the Deed Records of Dallas County, Texas, said called 1.6188 acre tract being a portion of Lot 2, Block 1 of Addison Car Care, an addition to the Town of Addison as evidenced by the map recorded on June 8, 1987 and recorded in Volume 87111, Page 0286 of said Deed Records; said 0.5045 acre tract of land being more particularly described by metes and bounds as follows;

COMMENCING at a "PK" nail set at the North end of a cut back corner located at the Southwest intersection of Addison Road (variable width) with Arapaho Road (60 feet wide) as dedicated by said plat of Addison Car Care, said nail also being the Northwest corner of a called 0.117 acre (5,112.33 square foot) tract for a 20 foot wide proposed Parkway Easement for Addison Road as evidenced by exhibit furnished by Birkhoff, Hendricks, & Conway, LLP., and signed by Gary Clinton Hendricks, Registered Professional Land Surveyor No. 5037 on April 30, 2002;

THENCE, SOUTH 00°18'13" EAST, along the West line of said called 0.117 acre tract, being 20 feet West of, measured at a right angle, and parallel to the existing West right of way of said Addison Road, a distance of 17.78 feet to a "PK" set in the proposed South right of way line of Arapaho Road same being the **POINT OF BEGINNING**;

THENCE, SOUTH 00°18'13" EAST, continuing along the West line of said called 0.117 acre tract, being 20 feet West of, measured at a right angle, and parallel to the existing West right of way of said Addison Road, a distance of 14.20 feet to the most Eastern Southeast corner of the herein described tract;

PARCEL 2TE - ARAPAHO ROAD PROJECT

THENCE, over and across said called 1.6188 acre tract and said Lot 2, Block 1 the following course and distances:

NORTH 45°03'52" WEST, a distance of 14.63 feet to an ell corner of the herein described tract;

SOUTH 00°38'19" EAST, a distance of 80.29 feet to an ell corner of the herein described tract;

SOUTH 89°21'41" WEST, a distance of 18.74 feet to an ell corner of the herein described tract;

SOUTH 00°38'19" EAST, a distance of 45.51 feet to the Southeast corner of the herein described tract;

SOUTH 89°21'41" WEST, along the South line of the herein described tract, a distance of 151.97 feet to the most Southerly corner of the herein described tract;

NORTH 00°39'50" West, along the West line of the herein described tract, a distance of 111.54 feet to an ell corner of the herein described tract same being the beginning of a non tangent curve to the left;

WESTERLY, along the arc of said non tangent curve to the left having a radius of 800.00 feet, a central angle of 02°05'03", a chord bearing South 77°38'59" West for 29.10 feet, for an arc distance of 29.10 feet to the Westerly Southwest corner of the herein described tract, same being in a curve of the common Northwest line of said called 1.6188 acre tract and the Southeast line of a called 3 & 48/100 acre tract of land conveyed to St. Louis Southwestern Railway Company of Texas on January 15, 1902 as evidenced by the deed recorded in Volume 278, Page 115 of said Deed Records;

THENCE, NORTHEASTERLY, along said common line and the arc of a non-tangent curve to the right having a radius of 714.00 feet (called 713.94 feet), a central angle of 01°07′15″, a chord bearing North 31°13′55″ East for 13.97 feet, for an arc distance of 13.97 feet to the Northwest corner of the herein described tract same being in the South line of Proposed South right of way line of Arapaho Road said corner also being the beginning of a non tangent curve to the right;

PARCEL 2TE - ARAPAHO ROAD PROJECT

THENCE, continuing over and across said called 1.6188 acre tract and said Lot 2, Block 1 and along the proposed South right of way line of Arapaho Road the following courses and distances:

EASTERLY, along a non-tangent curve to the right having a radius of 810.00 feet, a central angle of 12°41'54", a chord bearing North 83°39'03" East for 179.15 feet, for an arc distance of 179.52 feet to a "PK" nail set for the point of tangency of said curve;

EAST, a distance of 18.49 feet;

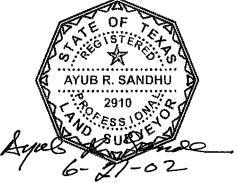
SOUTH 45°03'52" EAST, a distance of 7.79 feet to the **POINT OF BEGINNING**;

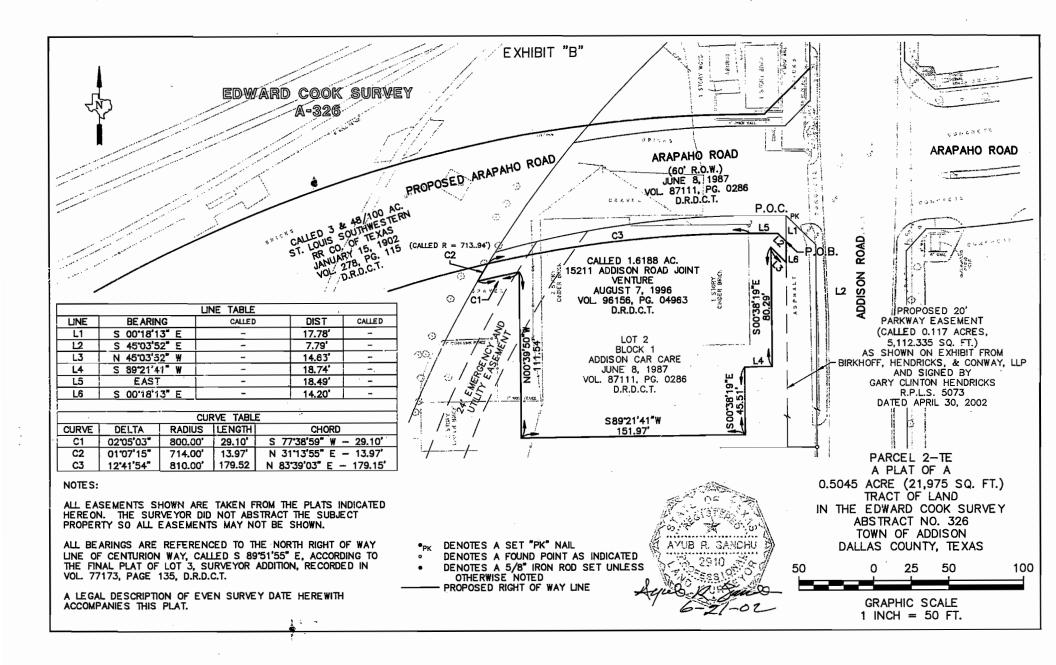
CONTAINING an area of 0.5045 acres or 21,975 square feet of land within the metes recited.

All bearings are referenced to the North Right of Way line of Centurion Way, called S 89°51'55" E, according to the final plat of Lot 3, Surveyor Addition, recorded in Vol. 77173, Page 135, Deed Records of Dallas County, Texas.

A plat of even survey date herewith accompanies this description.

I, Ayub R. Sandhu, a Registered Professional Land Surveyor, hereby certify that the legal description hereon and the accompanying plat represent an actual survey made on the ground under my supervision.





1. N. . .

TOWN OF ADDISON, TEXAS

FIELD NOTE DESCRIPTION FOR 15211 ADDISON ROAD JOINT VENTURE (PARKWAY ÈASEMENT)

BEING a tract out of a 1.619 acres of a tract of land located in the Edward Cook Survey, Abstract No. 326, and being across Lot 2 of Block 1 in the Addison Car Care Addition, an addition to the Town of Addison, Dallas County, Texas, conveyed to 15211 Addison Road Joint Venture by a deed now of record in Volume 96156, Page 4963, of the Deed Records of Dallas County, Texas, said tract of land being more particularly described as follows:

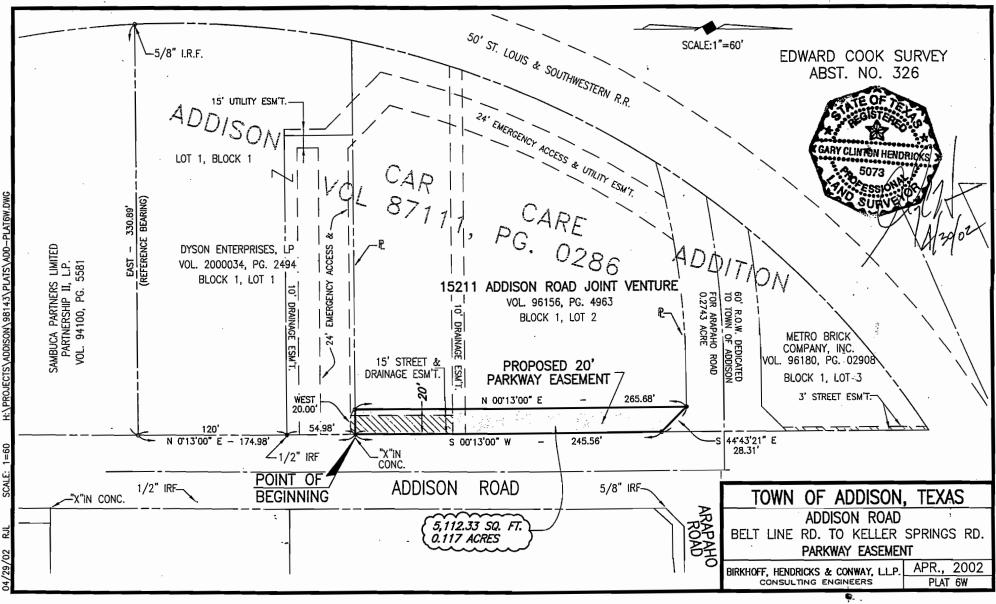
BEGINNING POINT and being a found 'X' in concrete and said point being the southeast corner of said 1.619 acre tract and the northeast corner of a 0.304 acre tract of land conveyed to Dyson Enterprises, LP by a deed now of record in Volume 2000034, Page 2494, of the Deed Records of Dallas County, Texas, and being in the west right-of-way line of Addison Road, (generally a 60 foot right-of-way and generally 30 feet to the center line), said point also being N 0°13'00" E, 54.98 feet from a found 1/2 inch and being the southeast corner of said 0.304 acre tract;

THENCE, Due West, along the south line of said 1.619 acre tract, and along the north line of said 0.304 acre tract for a distance of 20.00 feet to a point for corner;

THENCE, N 00° 13'00" E for a distance of 265.68 feet to a point for corner in the north line of said 1.619 acre tract and in the south line of a dedicated right-of-way for Arapaho Road (generally 60 feet wide) to the Town of Addison, Dallas County, Texas;

THENCE, S 44° 43'21" E, along the north line of said 1.619 acre tract and along the south line of said dedicated right-of-way for Arapaho Road, a distance of 28.31 feet to a point for corner, said point being in said west right-of-way line of Addison Road;

THENCE, S 00° 13'00" W along the east line of said 1.619 acre tract and the west right-of-way line of said Addison Road, a distance of 245.56 feet to the Point of Beginning and containing 5,112.33 square feet (0.117 acres) of land.



The Proposed Arapaho Road Acquisition

According to the attached surveyor's field notes, the proposed acquisition area contains 0.0476 acres (2,075 SF) for the widening and reconstruction of Arapaho Road. The location, dimensions and shape of the proposed acquisition area are shown on the Acquisition Map exhibit page(s). The proposed acquisition area is rectangular in shape and is located adjacent to the northern portion of the subject parent tract. This acquisition will reduce the size of the subject parent tract by

approximately 2.9%. A portion of the proposed acquisition area overlays the previously mentioned 24 foot emergency and utility easement. The Town of Addison seeks fee simple rights in the proposed acquisition area. Presently, there are improvements in the *existing* new Arapaho Road right of way.

The proposed Arapaho Road right of way acquisition effectively reduces the whole property by 2.9 %.

Compensation for these improvements *is not estimated*. In addition, there are improvements in the proposed acquisition area which will be detailed and compensation of these improvements is estimated.

The Proposed Parkway Easement Acquisition

According to the attached surveyor's field notes, the proposed acquisition area contains 0.117 acres (5,112.33 SF) for the widening and reconstruction of Addison Road. The location, dimensions and shape of the proposed acquisition area are shown on the Acquisition Map exhibit page(s). The proposed acquisition area is generally rectangular in shape and is located adjacent to the western property boundary of the subject parent tract. It is our understanding that this acquisition area will be

utilized for the relocation of utilities, installation and maintenance of a sidewalk. The easement area will be landscaped and improved with vegetation, concrete pavers, street lights and sidewalks. This acquisition will reduce the size of the subject parent tract by approximately 7.2%. A portion of the

The proposed parkway easement acquisition reduces the whole property by 7.2 %.

proposed easement acquisition area overlays a 15 foot street and drainage easement, and a 10 foot drainage easement. Granting of these rights, by the property owner, has the effect of a fee simple acquisition. The landowner effectively relinquishes all surface and subsurface rights within the proposed easement area. The rights retained by the land owner are only reversionary interests. That

being the case, property rights being acquired are treated as the entire fee simple 'bundle of land rights'.

Considering the Highest and Best Use of the proposed acquisition area, the standard sequential tests; physically possible, legally permissible, economically feasible, and maximally productive were analyzed. Because of the unique size and shape characteristics of the proposed acquisition area it has no potential for independent utility separate from the parent tract. Therefore, the *highest and best use* of the proposed acquisition area is as a part of the whole parent tract. Inspection of the subject site and review of available engineering plans indicates that the proposed acquisition route affects a portion of a cinder block building, some fencing, and gravel drive/parking area. The land value is based on \$9.00 SF which is supported by the sales data and analysis presented on the preceding pages of this report.

Therefore, taking all factors into consideration, the compensation for the proposed acquisitions can be calculated as follows:

Proposed Arapaho Road ROW 2,075 SF			x	\$9.00/SF	=	\$18,675	
Fencing		14 feet	x	\$3.00/SF	=	\$ 42	
Building	Approx.	1,400 SF	x	\$3.56/SF	=	\$ 4,984	
Proposed Add	lison Road Par	kway Easement					
		5,112.33 SF	x	\$9.00/SF	=	<u>\$46,011</u>	
Total						\$69,712	

Value of the Remainder Before the Acquisition

The value of the Remainder Before the Acquisition is simply the mathematical difference between the value of the whole property less the value of the Proposed Acquisition Area. Therefore, the value of the Remainder Before the Acquisition can be calculated as follows:

Whole Property Value	\$705,000
Less: Value of Proposed Acquisition Area	<u>\$ 69,712</u>
Value of the Remainder Before the Acquisition	\$635,288

Value of the Remainder After the Acquisition

As noted, the proposed acquisition area will be used for the widening and realignment of Arapaho Road, and the improvement of Addison Road. After the acquisitions, the remaining site will become a corner tract having similar accessibility and increased visibility. The remaining site will have similar highest and best use as before the acquisition. That is, the highest and best use is for commercial development but the existing improvements are in poor condition, and with the corner influence of the remainder subject site, it is feasible for re-development.

In developing the analysis of the Remainder Highest and Best Use and estimating the value after the acquisition, several questions were formulated and answered through the combined sources of: analysis of the Right of Way Acquisition Map, the engineering design and construction plans, the Town of Addison Department of Engineering, and consultation with locally knowledgeable consultants. The answers to specific questions, combined with the analysis of the undersigned land rights appraiser, were subsequently applied to market reaction observations and data introduced by the appraiser to finalize remainder impact conclusions. Following are some of the considerations in the valuation of the remainder after the proposed acquisition(Remainder After).

- Will the remainder property comply with zoning regulations?
 Yes, it appears the remainder site will be a legal conforming use under current zoning.
- 2) Will the remainder property have access to new Arapaho Road?

Yes, the owner of the subject remainder property would be permitted access to new Arapaho Road provided the location of driveway access meets all of the Town of Addison Comprehensive Transportation requirements for construction. Specifically, the owner/developer must request the driveway approach by submitting a site/engineering plan. The Comprehensive Transportation Plan has specifications relating to the size of driveway approaches and distances from an intersection which must be meet by the applicant.

- 3) What is the grade of the new Arapaho Road adjacent to the subject property? Based on available plan and profile design plans, the new road will be at the current/existing grade level.
- 4) Are there any direct benefits as a result of this project? Yes, the subject remainder property will become a corner site with frontage on new Arapaho Road and Addison Road. The remainder site will have increased visibility. Secondly, the property owner should request a reduction in the assessed value due to the

reduced land size and the razing of the improvements as a result of the temporary construction easement (TCE which is discussed in the following report section).

Therefore in the final analysis, the market of the remainder subject property after the acquisition and realignment of Arapaho Road should be greater in than the value before the acquisition and reconstruction. As a remainder, the physical characteristics of the remainder site are significantly different than the before conditions. The remainder site will contain approximately 68,440 SF. The amount of frontage on Addison Road is approximately the same as the before condition. However as a result of the project, the subject remainder site gains approximately 197 feet of frontage on Arapaho Road. The corner influence significantly enhances the value of the remainder. Data was researched and collected which was utilized in the analysis and valuation of the remainder site. Adjustments were applied to the sales data, depending upon differences between the subject property and each sale. Comparative analysis of sales data which has been retained in our file indicates the value of the subject remainder site would fall in the \$12.50/SF range.

TEMPORARY CONSTRUCTION EASEMENT

According to the attached surveyor's field notes, there is a proposed temporary construction easement totaling 0.5045 acres (or 21,975 SF) for the widening and realignment of Arapaho Road. The TCE is located adjacent to the proposed ROW acquisition area. The rights sought are temporary in nature. Topography of the proposed easement area is generally level. The net affect of this temporary construction easement will not permanently reduce the size of the subject property. The purpose of the proposed temporary construction easement is to provide working area for the ingress, egress, and placement of construction machinery and excavation materials during the construction phase of this project. The period requested for the temporary construction easement is 2 years. It is important to note the existing improvements totaling approximately 17,959 SF are located within the proposed temporary easement area and will be required to be removed during the construction. The value of the easement is calculated as follows:

Temporary Construction Easement	(21,975 SF x \$9.00/SF)	=	\$19 7 ,775
multiplied by the market competitive	annual rate of return of 10%	=	\$ 19,7 <i>78 Rd</i>
multiplied by 2 years	= .		\$ 39,556 Rd
plus Improvements within the TCE	17,959 SF x \$3.56/SF		\$63,934
Total			\$103,490

A recapitulation of the pertinent values of the whole property, the proposed acquisition area, the remainder before and after the acquisition are depicted below:

Value of the Whole Property (Land and Improvements)	\$705,000
less Value of the Proposed Acquisition Area	<u>\$ 69,712</u>
equals Value of the Remainder Before the Acquisition	\$635,288
Value of the Remainder After the Acquisition	\$855,500
plus Value of the Temporary Construction Easement	\$103,490
equals Total Compensation	\$173,202

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The undersigned does hereby certify that, except as otherwise noted in this appraisal report:

- 1. We have personally inspected the exterior to the subject property. The value conclusion in this report may require modification if an interior inspection is permitted by the owners.
- 2. We have no present or contemplated future interest in the real estate that is the subject of our evaluation.
- 3. We have no personal interest or bias with respect to the subject matter of this evaluation or the parties involved.
- 4. To the best of our knowledge and belief, we have included only truthful statements of fact in this report; and the analysis, opinions and conclusions expressed herein are true and correct and no pertinent information has knowingly been withheld.
- 5. The compensation for our professional service is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- 6. The analyses, opinions and conclusions in the report are limited only by the assumptions and limiting conditions set forth, and are the personal, unbiased, professional analyses, opinions and conclusions of the appraiser.
- 7. The development of the herein expressed value opinions have been made in conformity with, and is subject to the requirements of the Uniform Standards of Professional Appraisal Practice adopted by both the Appraisal Institute and the International Right of Way Association and can be supported by internal file inspection.
- 8. No persons other than the undersigned prepared the analyses, conclusions and opinions concerning real estate that are set forth in this appraisal report.
- 9) This document is hereby communicated to the original client named in the transmittal letter for the privileged use that client and their selected distribution. It is understood that most appraisal products are prepared to be a tool for some financial decision purpose. With this understanding, it should be noted that this report was obtained from Evaluation Associates, who owns the data and the detailed file memorandum, notes, etc., which may consist of *trade secrets and commercial or financial information* that is privileged and confidential and exempt from disclosure under 5 U.S.C. 552 (b) (4). Therefore, please notify Evaluation Associates of any request of reproduction of this appraisal.

- 10) The act of preparation and submission of this report to the public in the form of the original client, simultaneously makes this report subject to the professional requirements of the Appraisal Institute and the International Right of Way Association regarding review by its duly authorized representatives.
- 11) The Appraisal Institute conducts both mandatory and voluntary programs of continuing education for their designated members depending upon the date of the conferring of the specific professional designation. Designated members who meet the minimum standards for these programs are awarded periodic educational certification. James W. Cullar, Jr., and Richard N. Baker are currently certified under their respective and applicable programs.
- 12) This Appraisal is classified as Limited in Scope and is presented in Summary Format.
- 13) The market derived value of the proposed acquisition areas as of July 21, 2002 is estimated to be:

ONE HUNDRED SEVENTY THREE THOUSAND TWO HUNDRED TWO DOLLARS (\$173,202)

James W. Cullar, Jr., SRPA, SRA, SR/WA

Richard M. Bahn

Richard N. Baker, MAI

James W. Cullar, Jr., SRPA, SRA, SR/WA Qualifications and Professional Background

EDUCATION

Graduate of North Texas State University, BBA 1967 All courses, demonstration appraisal reports, professional experience, and quality reviews required for the three professional designations awarded from 1969 to current time.

PROFESSIONAL EXPERIENCE

Founder and general manager of Evaluation Associates, a real property consulting and land rights acquisition firm, providing a variety of real property evaluation services for the financial market, public land rights acquiring agencies, and individuals seeking decision making information for mortgage lending, asset review, right of way land rights acquisition and related matters.

Jim Cullar has qualified as an expert witness in county, state and federal courts in Dallas, Tarrant, Collin, Denton, Ellis, Grayson, and Travis Counties.

Prior to founding Evaluation Associates, Jim was a lender and appraiser with a large financial institution; and later the chief appraiser with the Right of Way Division of the Dallas County Department of Public Works. He has been a self employed consultant since 1985. Jim keeps abreast of industry change through reading, continuing education, teaching, forum discussion, and publication.

PROFESSIONAL AFFILIATIONS

The Appraisal Institute SRPA, SRA Member designation Past President - North Texas Chapter 1995 Member National Board of Directors - 1997 - 1999 National Finance Committee 1998-1999 Chair - Region VIII 1999

International Right of Way Association (IR/WA Region 2)

SR/WA Designation

Certified Instructor of:

Real Estate Appraisal Principles

Income Approach to Valuation

Appraisal of Partial Acquisition

Easement Evaluation

State Certified General Texas Real Estate Appraiser - TX - 1321322 G

Right of Way Land Rights Appraisal and Acquisition Solutions

RICHARD N. BAKER, MAI

Qualifications and Professional Background

EDUCATION

 Graduate of Texas Tech University • Masters of Business Administration - May 1985.
 Graduate of Southern Methodist University • Bachelor of Arts - Bachelor of Business Administration - May 1983

All courses, demonstration appraisal reports, professional experience, and quality reviews required for the MAI professional designation awarded 1996.

RECENT ACCREDITED APPRAISAL COURSES and SEMINARS

Highest and Best Use Applications (November 1999) Standards of Professional Practice, Part C (March 1998) Dynamics of Office Building Valuation (November 1997)

PROFESSIONAL EXPERIENCE

Appraisal experience includes the analysis and preparation of comprehensive narrative appraisal reports, evaluating a variety of interests in numerous property types including multi-family residential, industrial, office, retail, rural and urban land, special purpose properties, right-of-way land rights acquisition matters, special benefits / enhancement studies, and related consultation issues.

Appraisal work product has been accepted and utilized for mortgage lending, estate tax planning and settlement, property exchange, corporate management decisions, road and thoroughfare improvement assessment programs, and partial acquisition valuation for just compensation analysis by eminent domain acquiring agencies.

PROFESSIONAL DESIGNATIONS and AFFILIATIONS

MAI - The Appraisal Institute #10984 State Certified Real Estate Appraiser-General #1322012-G Texas Real Estate Salesman - Inactive

<u>APPRAISAL INSTITUTE LEADERSHIP CONTRIBUTION</u>

Candidate Guidance Chair - North Texas Chapter - 1998 Web Site Committee Chair - North Texas Chapter - 2001 - 2002 Regional Representative - Region VIII - 2000 - 2001 Region Representative to National Technology Outreach Committee 1999 - 2001 North Texas Chapter - Member Board of Directors - 2001 - 2003 ADDENDUM

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For the purpose of this appraisal, the following assumptions and limiting conditions are made a part thereof:

- 1. That title to the individual property will be good and marketable and that title is in fee simple under single ownership unless otherwise stated.
- 2. No responsibility is assumed by the appraiser for matters of legal character. The value is reported without regard to questions of title, boundaries, encumbrances, easements and encroachments. All existing liens and encumbrances have been disregarded, and the property is appraised as though free and clear under responsible ownership and management unless otherwise stated.
- 3. The valuation is reported in dollars of currency prevailing on the date of the appraisal.
- 4. If the subject is an improved property, the sketches in this report are approximate and are included, together with the photography, to assist the reader in visualizing the property.
- 5. All information and comments pertaining to this and other properties represent the combination of facts provided by others and the professional opinion of the appraiser, formed after careful examination and study of the subject property. Hence, the work product of the appraiser is an estimate. While it is believed that the information, estimates and analyses which led to the herein stated estimated value conclusions are correct, and the primary appraiser is prepared to testify as to the applicability of the selected data to the valuation of the subject property, the appraiser does not guarantee any element of the data base. Nor does he assume any financial liability for errors in facts provided by others, analysis or judgement. The client's remedy is referral of a faulty analysis to the Appraisal Institute, the International Right of Way Association, and/or the Texas Appraisal Licensing and Certification Board.
- 6. This is a financial decision document. It is not a marketing tool. Therefore no part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which he is connected, or any reference to the professional organizations that designate the appraisers or to the applicable designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication other than the intent of the report as a financial decision tool for the original client.
- 7. Given adequate preparation notice, the appraiser is prepared to provide testimony and to appear in court by reason of this appraisal, under separate contract, at the request of the original client.
- 8. 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 buildings must not be used in conjunction with any other appraisal and are invalid if so used.

- 9. Also, the value is estimated under the assumption that there will be no international or domestic, political, economic, or military actions that will seriously affect real estate values throughout the country.
- 10. Real estate values are influenced by a large number of external factors. The analysis included all of the data necessary to form an informed highest and best use and value conclusion. The report does not include all the data necessary to support the value estimate. All pertinent facts have been referenced in this report, but we do not guarantee that we have knowledge of all factors that might influence the value of the subject. Due to rapid changes in the external factors, the value estimate is considered reliable only as of the date of the appraisal and any related testimony..
- 11. In the event the appraisal is based upon proposed improvements, it is assumed that the improvements will be constructed in substantial conformity with plans and specifications that have been furnished the appraiser, and with good materials and workmanship. It is also assumed that the proposed foundation and construction techniques are adequate for the existing sub-soil conditions.
- 12. Unless otherwise stated in this report, the existence of environmentally hazardous or damaging material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos or urea-formaldehyde may affect the value of the property. The value estimate is predicted on the assumption that there is no such material on or in the property that would cause such a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client, property owner and/or prospective purchaser is advised to conduct environmental due diligence with regard to the property including having the necessary environmental assessments and/or environmental audits made to determine if any environmental problems related to the subject property exist. If any environmental problems are found which effect the subject property, the value estimate contained in this report is subject to review and may not be valid.
- 13. The American and Disabilities Act (ADA) became effective January 26, 1992. I (we) have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. Since I (we) have no direct evidence relating to this issue, I (we) did not consider possible noncompliance with the requirements of ADA in estimating the value of the property.

- 1. <u>Market Value</u>: The most probable price that 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 or buyer under conditions whereby:
 - a. buyer and seller are typically motivated;
 - b. both parties are well informed or well advised, and each acting in what they consider their best interest;
 - c. a reasonable time is allowed for exposure in the open market;
 - d. payment is made in cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
 - e. 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.
- 2. <u>Value in Use:</u> The value of an economic good to its owner-user which is based on the productivity (privacies in income, utility or amenity form) of the economic good to a specific individual.
- 3. <u>Highest and Best Use:</u> The most profitable likely use to which a property can be put. That use of land which may reasonably be expected to produce the greatest net return to land over a period of time. That legal use which will yield to land the highest present value.
- 4. <u>Abbreviations commonly used in the appraisal of real estate:</u>

SF	-	square feet	RR	=	railroad
/AC	=	per acre	ROW	=	right of way

5. <u>Vehicular traffic artery abbreviations:</u>

St.	=	Street	FM	=	Farm to Market Rd
Ln	=	Lane	US	=	United States Highway
Dr		Drive	I	=	Interstate Highway
Rd	=	Road	, Frwy	=	Freeway
Pl	=	Place	Expwy	=	Expressway
Pkwy	=	Parkway	Hwy	=	Highway
Ave	=	Avenue	SH		State Highway
Blvd	=	Boulevard	N	=	North
Cir	=	Circle	S	-	South
Ct	=	Court	Ε	=	East
Mt.	=	Mount	Ŵ	=	West

EVALUATION ASSOCIATES REAL ESTATE ANALYSIS AND CONSULTATION

July 12, 2002

15211 Addison Road JV 3333 Earhart Drive - Suite 140 Carrollton, Texas 75006-5163

Re: Town of Addison - Arapaho Road Improvement Project & Addison Road Intersection Improvements - 15223 Addison Road (Proposed expansion of road right of way and Intersection Construction)

Gentlemen:

As you are probably aware, the Town of Addison proposes to extend Arapaho Road from Addison Road west to Marsh Lane. In earlier meetings and correspondence, you may have been informed that this project will require the acquisition of a portion of your property, along the north side of the combined properties which constitute the facility. The Town of Addison may have mailed you documents describing the proposed acquisition.

Evaluation Associates has been employed by the Town of Addison to assist them in the evaluation of your property for compensation related to the right of way. Part of the process involves a review of many physical and economic factors. As for the property inspection aspect, even though we may be able to view much of the property from the perimeter, aerial photography, maps and plats of record, we would like to inspect the interior of the buildings, and to meet with you to discuss the appraisal process, and to consider your perspective. At that time, you are invited to ask any questions you have regarding the appraisal process and issues that will be considered in the appraisal of your property.

Please feel free to forward your questions to <u>jcullar@airmail.net</u>, mail, or fax to (214) 553-1414. In the interim, would you please complete the accompanying questionnaire to provide background information in preparation for the property review?

A self-addressed envelope has been provided for your assistance. Please mail it back as soon as possible, as the information contained may assist us in preparing to meet with you. If you feel that the proposed road project will have any specific impact on your property, please tell us. Everything will be taken into consideration in the appraisal process.

Thank you for your time and assistance.

Evaluation Associates

OWNERSHIP QUESTIONNAIRE and PROPERTY INSPECTION NOTIFICATION

PROJECT: Town of Addison - Arapaho Road Improvement Project & Addison Road Intersection Improvements - 15223 Addison Road (Proposed expansion of road right of way and Intersection Construction)

TO: 15211 Addison Road JV 3333 Earhart Drive - Suite 140 Carrollton, Texas 75006-5163

To assist us in contacting you at the most convenient time, and to be aware of your concerns related to the proposed project, please complete this questionnaire. We want to explain as much as possible regarding the appraisal process and to hear your viewpoint regarding the impact of the proposed water and sewer project and the proposed construction on your property. Thank you for your cooperation.

Person completing this form:	 	 	
Phone:	 	 	
Names of tenants:	 	 	

List below any specific concerns that you may have, and/or any additional information you may have that we should be aware of (feel free to add-on, or write on the back of form) :

11615 FOREST CENTRAL DRIVE • SUITE 205 • DALLAS, TEXAS 75243-3917 • (214) 553-1414 • FAX (214) 553-1615