

A SUMMARY REAL ESTATE APPRAISAL REPORT
OF
A TRACT OF LAND CONSISTING OF APPROXIMATELY 10.325 ACRES
WITH PRESENT IMPROVEMENTS AND
ANY APPLICABLE DAMAGES

S. M. WILLIAMS SURVEY, ABSTRACT 910

WISE COUNTY, TEXAS

LOCATED AT 415 STAR SHELL ROAD

AS OF

DECEMBER 11, 2009

Prepared For

MR. TIMOTHY RUGGIERO
415 STAR SHELL RD
DECATUR, TEXAS 76234

Prepared By

ADVANCED APPRAISAL SERVICES
Steve D. Goolsby, MBA

111 S. TRINITY
DECATUR, TEXAS 76234
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ADVANCED APPRAISAL SERVICES
Steve D. Goolsby, MBA
111 S. Trinity
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December 14, 2009

Mr. Timothy Ruggiero
415 Star Shell Road
Decatur, TX 76234

Re: A real estate appraisal of a tract of land consisting of approximately 10.325 acres with present improvements consisting of a single family residential structure and other related improvements and any applicable damages, legally described as being situated in the S. M. Williams Survey, Abstract 910, being located at 415 Star Shell Road to the northeast of the city of Decatur, Wise County, Texas.

Dear Mr. Ruggiero:

In accordance with your request, Advanced Appraisal Services has prepared an appraisal on the above referenced property for the purpose of estimating the Market Value of the Fee Simple Estate of the aforementioned property as of the date of valuation. A physical inspection of the appraised property was conducted on December 11, 2009. The analysis of the appraised property includes consideration of relevant facts about the property, the influences of the regional and community environment upon the subject property and the prevalent economic conditions and trends present in the market. The assessment of this information and the opinions and conclusions are set forth in the accompanying appraisal report. The report includes maps, photographs and other exhibits as visual aids. This report is subject to the Assumptions and Limiting Conditions, which identifies the scope and use of this report.

To the best of our knowledge, this appraisal conforms to the Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Foundation as well as Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA, August, 1989).

Mr. Ruggiero
Page 2
December 14, 2009

Based on the aforementioned analyses, the total estimated market value of the subject property described herein and based on the hypothetical assumption that the property incurs no applicable damages due to the existence and proximity of petroleum-related encumbrances, as of December 11, 2009 is found to be:

\$300,000

Based on the aforementioned analyses, the estimated market value of the subject property in its "as is" condition as of December 11, 2009 is found to be:

\$ 78,000

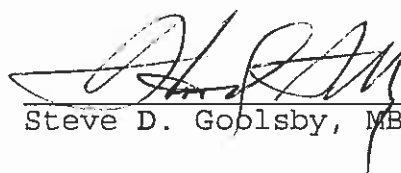
Of further consideration is the total amount of estimated compensatory damages relevant to petroleum-related encumbrances situated on and near the property, which was found to be:

\$222,000

We greatly appreciate the opportunity to provide this appraisal for you. Should you have any questions regarding the appraisal, please do not hesitate to contact our office.

Respectfully submitted,

ADVANCED APPRAISAL SERVICES



Steve D. Goolsby, MBA-Appraiser

SUMMARY OF FACTS AND CONCLUSIONS

Date of Appraisal: December 11, 2009

Subject Property Location: 415 Star Shell Rd
NE of the city of Decatur
Wise County, Texas

Site Size: Approx. 10.325 Acres

Zoning: Not Zoned

Highest and Best Use:

As If Vacant: SF Residential/Agricultural

As Improved: SF Residential/Agricultural

Purpose of the Appraisal: To estimate the Market Value of the Fee Simple Estate of the subject property as of the date of appraisal, subject to the assumptions and limiting conditions set forth within this report.

Function of Appraisal: The function of this appraisal is to serve as a basis for asset assessment purposes.

Indicated Values (hypothetical):

Sales Comparison Approach: \$298,000
Cost Approach to Value: \$303,000
Income Approach to Value: N/A
Estimated Market Value: \$300,000

Total Compensatory Damages: \$222,000

Estimated "As Is" Market Value: \$ 78,000

Estimated Marketing Period: Four to twelve months

APPRAISER: **ADVANCED APPRAISAL SERVICES**
Steve D. Goolsby, MBA
111 S. Trinity St.
Decatur, TX 76234
(940) 627-4498 (940) 387-2101

NATURE OF ASSIGNMENT

Identification of Subject Property:

A physical inspection of the subject site and surrounding area was conducted on December 11, 2009. The subject of this report is reportedly a tract of land consisting of approximately 10.325 acres with existing improvements that are considered to contribute value to the subject tract. The subject property is currently improved with a single family residential structure, fencing, a barn, and a storage building that are considered to contribute significant value to the property's overall value and is further considered consistent with the property's highest and best use, to be presented hereinafter. Therefore, the property is analyzed hereinafter as an improved tract of land that is located at 415 Star Shell Road to the northeast of the city limits of Decatur, Texas, being within the eastern portion of Wise County, Texas. The property is not subject to zoning, being in an unincorporated area.

Scope of the Assignment:

A statement of the client's intended use or scope of the appraisal report should be made in order to protect third parties whose reliance on an appraisal report may be affected by this information. The scope of this appraisal assignment is to estimate the Fee Simple Market Value of the property. Of the three recognized approaches to value, the Direct Sales Comparison Approach and the Cost Approach have been utilized to arrive at a current estimate of market value for the subject property. The Cost Approach is typically utilized when a property is improved to the extent that its improvements would contribute

significant value to the property's overall value; thus, in recognition of the scope of this assignment and the nature of the subject property, the Cost Approach to value is considered relevant. Properties of this nature are not typically acquired or constructed for the purpose of generating income, but are typically used for residential purposes, as the subject. The appraiser is further not aware of any significant ground leases relevant to the property which could serve as a valid means by which to estimate value for a property of this nature; thus, the Income Approach has not been utilized in this valuation analysis. The Sales Comparison Approach has been utilized through the comparison of similar sales analyzed from within the subject market place. The final value estimates relevant to the whole property derived from these analyses are set forth as the Market Value. The value concluded by this appraisal is based upon the following definition of Market Value:

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

City of Austin v. Cannizzo, 153 Tex. 324, 267 S.W.2d 808, 815 (Tex. 1954). Accord State v. Windham, 837 S.W.2d 73, 77 (Tex 1992); Polk County v. Tenneco, Inc., 554 S.W.2d 918, 921 (Tex. 1977); Boswell v. Brazos Electric Power Coop, Inc., 910 S.W.2d 593, 601 (Tex. App.-Fort Worth 1995, writ denied).

Purpose and Date of Appraisal:

The purpose of this appraisal is to estimate the Market Value of the Fee Simple Estate of the subject property, as of December 11, 2009, subject to the Limiting Conditions and Assumptions in this report.

Function of the Appraisal:

The function of this appraisal is to serve as a basis for asset assessment purposes relevant to litigation purposes.

Property Rights Being Appraised:

The property rights being appraised are those of Fee Simple Estate. It is defined in The Dictionary of Real Estate Appraisal (Second Edition, 1989) sponsored by the American Institute of Real Estate Appraisers, as:

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

Ownership History:

The subject property, previously identified and legally described in this report, is presently owned by Timothy & Christine Ruggiero, having acquired the property from Mark & Diane Sanders by deed dated August 24, 2004 and recorded in Volume 1462, Page 383 of the Wise County Deed Records.

Encumbrances:

No title policy has been provided to the appraiser and the appraiser is not qualified to determine the existence of existing utility easements relevant to the property. A detailed title search and survey is recommended for the use of the report's information and protection against encumbrances not ascertainable by the appraiser as of the date of inspection.

LIMITING CONDITIONS AND ASSUMPTIONS

This appraisal report is subject to the following assumptions and limiting conditions and to special assumptions set forth in the various sections of the appraisal report. These special assumptions are considered necessary by the appraiser to make a proper estimate of value in accordance with the appraisal assignment and are made a part herein, as though copied in full:

1. **LIMIT OF LIABILITY** - Liability of Steve D. Goolsby, dba Advanced Appraisal Services, is limited to the fee for preparation of the appraisal. There is no accountability to any third party.

2. **COPIES, PUBLICATION, DISTRIBUTION, USE 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 purposes other than its intended use; the physical report(s) remain the property of the appraiser for the use of the client, the fee being for the analytical services only. The report may not be used for any purpose by any person or corporation other than the client or the party to whom it is addressed or copied without the written consent of the appraiser, and then only in its entirety.

3. **CONFIDENTIALITY** - The appraiser may not divulge the material (evaluation) contents of the report, analytical findings or conclusions, or give a copy of the report to anyone other than the client or his designee as specified in writing (except as may be required by the Appraisal Institute as they may request in confidence for ethics enforcement), or by a court of law or body with the power of subpoena.

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 which are set forth in the report were prepared by the appraiser whose signature appears 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 the appraisal firm shall have no responsibility if any such unauthorized change is made.

4. **TRADE SECRETS** - This appraisal was obtained from Advanced Appraisal Services and consists of "trade secrets and commercial or financial information" which is privileged and confidential and exempted from disclosure under 5 U.S.C. 552 (b)(4). Notify Steve D. Goolsby of any request to reproduce this appraisal in whole or in part.

5. **INFORMATION USED** - No responsibility is assumed for accuracy of 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. The comparable data relied upon in this report has been confirmed with one or more parties familiar with the transaction or from affidavit; all are considered appropriate for inclusion to the best of our factual judgment and knowledge.

6. TESTIMONY, CONSULTATION, COMPLETION, OR CONTRACT FOR APPRAISAL SERVICES - The contract for appraisal and consultation of analytical service is fulfilled and the total fee payable prior to or upon completion and delivery of the report. The appraiser 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 the client or third parties except under separate and special arrangement and at an additional fee.

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 and are not intended to represent the property in other than actual status, as of the date of the photos.

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 appraiser.

The appraiser has inspected, by observation, the land and the improvements thereon; however, it is not possible to personally observe conditions beneath the soil or hidden structure, or other components, or any mechanical components within the improvements; 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 firm; however, the degree or subsidence in the area is unknown. The appraiser does 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 which would render it more or less valuable. No responsibility is assumed for any such condition 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. Condition 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.

9. THE EXISTENCE OF HAZARDOUS SUBSTANCES - No judgment is made as to the adequacy of type of insulation or energy efficiency of the improvements or equipment. Further, unless otherwise stated in this report, the appraiser has no knowledge of the existence of

hazardous waste products of any resultant contamination, including without limitation, asbestos, polychlorinated biphenyl, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or the environmental conditions which are not called to the appraiser's attention of nor did the appraiser become aware of such during the appraiser's inspection. The appraiser, however, is not qualified to test such substances or conditions. If the presence of such substances, such as asbestos, urea formaldehyde, foam insulation, or other hazardous substances or environmental conditions, may affect the value of the property, the value estimated or predicated on the assumption that there is no such condition or in the property in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, not for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in the field of environmental impacts upon real estate if so desired.

The appraiser has not commissioned an environmental audit of the property being appraised, nor has such a report been provided to the appraiser that would indicate presence or absence of hazardous materials/contamination. The appraiser represents that he is not an expert to appraise insulation or other products banned by the Consumer Products Safety Commission which might render the property more or less valuable, and in connection with this appraisal, the appraiser has not inspected for, tested for, nor taken into consideration in any respect, the presence or absence of insulation or other products described above. Therefore, the appraiser assumes no responsibility in the event the presence or absence of insulation, hazardous waste contamination, or other products increase or decrease the value of the property from the value placed thereon by the opinion of the appraiser.

10. 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 of 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 from local, state, federal and/or private entities or organizations have been or can be obtained or renewed for any use considered in the value estimate.

11. COMPONENT VALUES - The distributions of the total valuation in this report between land and improvements applies only under the existing program of utilization. The separate valuation for land and building must not be used in conjunction with any other appraisal and are invalid if so used.

12. 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 is in the report. The appraiser reserves the unlimited right to alter,

amend, revise or rescind any of the statements, findings, opinions, values, estimates, or conclusions upon any subsequent such study or analysis or previous study or analysis subsequently becoming known to them.

13. DOLLAR VALUES, PURCHASING POWER - The value estimated and the costs used are as of the date of appraisal and are based on the purchasing power and price of the dollar.

14. PROPOSED IMPROVEMENTS, CONDITIONED VALUE - Improvements proposed, 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 appraiser. In cases of proposed construction, the appraisal is subject to change upon inspection of the property after construction is completed. This estimate of market value is as of the date shown, as proposed, as if completed and operating at levels shown and projected.

15. INCLUSIONS - Furnishings and equipment 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.

16. 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. The "Estimate of Market 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.

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

17. RELIABILITY UPON OUTSIDE INFORMATION - This appraisal has been performed with the following general assumptions:

A. That the title to the subject property is merchantable and that the property is free and clear of all liens and encumbrances, except for mortgages in good standing;

B. That the legal description, dimensions and/or areas of parcel and survey, if provided to the Appraiser, are accurate and correct showing the proper placement of any improvements;

C. No responsibility is assumed for matters including legal or title considerations; title is assumed to be good and marketable unless otherwise stated. The information furnished by others is believed to be reliable; however, no warranty is expressed herein for its accuracy. All engineering is assumed to be correct; any plot plan and illustrative material in this report are included only to assist the reader in visualizing the property;

D. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report. It is further assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered herein.

18. GENERAL TERMS -

A. The appraiser, by reason of this appraisal, is not required to give further consultation, testimony, or be in attendance in court or any legal or litigating procedure with reference to the property in question unless additional financial arrangements have been previously made.

B. The forecasts, projections, or operating estimates contained herein are based upon current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are subject to changes in future conditions.

C. It is hereby certified to that the Appraiser is not involved in the lending or collections functions of any institution requesting this appraisal and that the Appraiser has no interest, financial, or otherwise in the property. Furthermore, the employment of the Appraiser was not conditioned on the appraisal producing a specific or minimum value, or a value within a given range, or the approval of a loan. It is further hereby certified to that the appraiser has no direct or indirect interest, financial, or otherwise, in the property, or with the borrower or the seller of the property, and possesses sufficient experience, educational background, and expertise in relation to this engagement and the subject property to satisfy the Competency Provision of the Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Standards Board of the Appraisal Foundation and the Appraisal Institute. The appraiser warrants that he is in compliance with all applicable State and Federal Licensing and Certification Regulations and is eligible and competent to perform appraisals in the State of Texas.

19. MANAGEMENT OF THE PROPERTY - It is assumed that the property which is the subject of this report will be under prudent and competent ownership and management, neither inefficient nor super-efficient.

20. **COMPETENCY PROVISION** - The appraiser has appraised numerous commercial, retail, industrial, agricultural, residential, and special purpose properties throughout the state of Texas and has performed numerous appraisals and provided testimony relevant to condemnation proceedings and other litigation purposes.

21. **GENERAL CONDITIONS** -

- A. The fee for this appraisal or study is for the service rendered and not for the time spent on the physical report.
- B. **ACCEPTANCE OF, AND/OR USE OF, THIS APPRAISAL REPORT CONSTITUTES ACCEPTANCE OF THE ABOVE CONDITIONS.**

22. **PROPERTY VALUATION** - This appraisal specifically assumes the following:

As indicated by the Wise County Appraisal District, the land area for the subject tract of land is reportedly as follows:

Approximately 10.325 Acres

Furthermore, the respective value estimates are based on the aforementioned respective size of the subject tract of land.

SUBJECT PHOTOGRAPHS
(taken December 11, 2009)



SUBJECT PHOTOGRAPHS
(taken December 11, 2009)



SUBJECT PHOTOGRAPHS
(taken December 11, 2009)



REGIONAL AND MARKET AREA DATA

Property values in a given area are influenced by four forces: social, economical, governmental, and environmental. It is necessary to define the area in which a property being appraised is located in order to conduct an analysis of these influences and the effect they may have on the property under consideration.

The subject property is located to the northeast of the county seat of Wise County, which is the city of Decatur, and is located in the eastern portion of Wise County, of close proximity to the Denton County line, and is further adjacently north and west of the nine-county Dallas/Ft. Worth Consolidated Metropolitan Statistical Area (CMSA) which includes Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Rockwall, and Tarrant counties. This area encompasses approximately 6,968 square miles within north central Texas, and is larger in area than the state of Connecticut. It is the largest metropolitan area in the state of Texas and the fourth largest consumer and labor market in the United States, being the home of 22 of the Fortune 500 companies. The Dallas/Ft. Worth area is commonly referred to as the "Metroplex".

The Dallas/Ft. Worth CMSA is in north central Texas and serves as a major transportation hub for the southwestern United States. Four major interstate highways converge in the area: Interstate Highway 20, Interstate Highway 30, Interstate Highway 35, and Interstate Highway 45, which provide accessibility to many parts of the United States. Geographically, the Metroplex area is about 300 miles northwest of the Gulf of Mexico, 150 miles west of the Louisiana border, and 50 miles south of the Oklahoma border. Although located in the southern part of the United States, the area is centrally located between the east and west coasts. More specifically, the subject market area is located approximately 50 miles to the northwest of Dallas, approximately 45 miles to the northeast of Fort Worth, approximately 80 miles southeast of Wichita Falls, approximately 15 miles to the west of Denton, and approximately 55 miles south of the Oklahoma border. This market area is primarily serviced by US Highway 380, US Highways 287/81, State Highway 114, FM 730, and FM 51, providing direct access to Dallas, Fort Worth, Denton, Weatherford, Amarillo, Grapevine, Weatherford, Granbury, McKinney, and Wichita Falls, Texas.

SOCIAL FORCES

Social forces are exerted primarily through population characteristics. The demographic trends of an area in terms of total population and its characteristics, such as average age and household size, generate social forces that affect property values. The demographic composition of the population and changes in population are important since they reveal demand or potential demand for real estate within a given area.

Texas has recently become the second most populous state in the nation and is adding approximately 29,000 people each month and growing four times faster than New York. This population growth trend should cause continued demand for housing and industrial and commercial real estate, as well as demand for various services.

The Metroplex is the largest metropolitan area in Texas, with over 25% of the state's population, and is the seventh largest metropolitan area in the United States. The population of the Consolidated Metropolitan Statistical Area (MSA) has grown by more than 20 percent in each of the past four decades. The continued influx of corporate relocations, immigration, and natural increases in population pushed the Dallas/Ft. Worth population past 4 million in 1992. All of these factors are generally positive for all types of real estate, including the subject property, as population growth throughout Denton County, Tarrant County, and Collin County has been experiencing the most rapid growth rate over the past two decades with the subject market area experiencing a stable growth rate during this time period, as the city of Decatur has a current population in excess of 5,600, an increase of approximately 10% over the past decade. It should be further noted that the counties lying adjacently north of Dallas and Tarrant counties, which include Collin, Denton, and Wise Counties, are currently and have been experiencing a rapid rate of growth over the last decade which is anticipated to continue.

ECONOMIC FORCES

Economic forces have a direct and obvious effect on property values, as these forces include current and anticipated supply and demand, as well as the economic ability of the population to satisfy its demands, needs, etc., through its purchasing power. Some demand-side economic forces include employment, industrial expansion, economic base of the region, price levels, and the cost and availability of mortgage credit. Supply-side economic characteristics include the vacant stock of available land and improved properties, new development planned or under construction, occupancy rates, price and rent levels, and construction costs.

EMPLOYMENT

During the past few years, Wise County enjoyed a tremendous employment boost from the exploration and production of natural gas from the Barnett Shale which encompasses Wise County. However, recent lay-offs are being experienced as this Barnett Shale activity has slowed considerably due to a significant decrease in natural gas prices. New job formation had also been consistently on the rise since the emergence of the Alliance Airport, situated on the Denton/Tarrant County line, as well as numerous corporations relocating to the Dallas/Ft. Worth Metroplex from all over the world. However, recent surveys indicate that job creation is

relatively stagnant at all income levels in this general market area. By 2020, the sixteen counties of North Texas are projected to grow to a population of 6 million residents and employment to 4.3 million jobs. Thus, overall, the region's economy appears to be experiencing relatively healthy overall conditions in spite of relatively stagnant national economic conditions.

ENVIRONMENTAL FORCES

Environmental forces include climatic conditions, topography and soil, natural barriers such as rivers and mountains, primary transportation systems such as highways, railroads, and airports, and the nature and desirability of an area. North Texas has an average minimum temperature of 55 degrees and an average maximum temperature of 77 degrees. The mild climate is attractive to many people enjoying outdoor activities and providing year-round uninterrupted business activity. The terrain is gently rolling with a relatively limited amount of native trees in the western portion of the area where the rolling plains begin. There are varying soil contents in the area that have a high shrink-swell capacity. There are numerous man-made lakes in the region, along with various forks of the Trinity River. Lake Bridgeport is located in the mid-western portion of Wise County, being approximately 25 miles to the west of the subject property.

The Metroplex is at the intersection of four major interstate highways. These major freeways (IH-20, IH-30, IH-35, and IH-45), combined with an excellent network of other limited access freeways, provide a very functional roadway system. Numerous road improvements are in progress at the state and local levels that should adequately serve the area's expanding population.

One of the Metroplex's biggest assets is the Dallas/Ft. Worth International Airport which opened in 1975 and is centrally located 17 miles from downtown Dallas or Ft. Worth, being approximately 65 miles to the southeast of the subject market area. Covering 17,800 acres and offering more than 1,666 daily flights by 37 airlines, it is the largest and second busiest commercial airport in the world. Dallas' recently remodelled inner-city airport, Love Field, handles travelers within Texas and the southwest United States. Fort Worth's Meacham Airport, near its central business district, handles commercial and general aviation aircraft. Alliance Airport, located at the Tarrant and Denton county line, is the nation's first large airport devoted solely to industrial use. It was built by the The Perot Group in conjunction with federal agencies and has a 9,000 foot runway. The airport has stimulated immense interest in the area and has attracted companies such as the American Airlines Maintenance and Engineering Center, Federal Express, Santa Fe Railway Automobile Center, the FAA Flight Standards District Office, Nokia, the National Mint Center and the DEA Aviation Support Headquarters. The city of Decatur also has a municipal airport located in the northern portion of the city.

Overall, the general environment of the North Texas area is pleasant with a moderate climate and gently rolling terrain. The centralized location of the region has contributed to it being a major transportation hub in the United States. The excellent highway network and the Dallas/Ft. Worth International Airport provide for excellent accessibility to and within the area.

CONCLUSION

This centrally located area has an increasingly diverse economic base, housing at reasonable costs, and an extensive highway network that allows convenient access throughout the Metroplex. Social, governmental, and environmental forces are also positive for the area. All of these factors combine to provide an appealing environment for commercial, industrial, and residential development. Other factors that will contribute to the continued health of the real estate market are continued population growth as well as recognition of the Metroplex as a major business and employment center.

The city of Decatur, the county seat, is located in the mid-portion of Wise County and enjoys close proximity and convenient accessibility to major employment through the Dallas/Ft. Worth Metroplex. The subject market area is located adjacently north and west of the Dallas/Ft. Worth Metroplex, being of close proximity and adjacently west of Denton County and north of Tarrant County. The subject property is located of close proximity to five major thoroughfares servicing the market area, US Highways 380, 287, and 81, as well as FM 51 and 730, providing direct access and being approximately 15 miles to the west of the closest major city of Denton, the county seat of Denton County with an estimated population of approximately 110,000. Fort Worth is located approximately 45 miles to the southwest of the subject property.

The current favorably balanced demand and supply for housing throughout North Texas real estate markets and continued forecasts for a relatively healthy economy has produced a stable, and in most instances, increasing real estate market. The city of Decatur has been enjoying a healthy residential market for the past few years due to its superior rated school district and its geographic location, enjoying access to major employment throughout the Metroplex and surrounding area. There is a relatively newly constructed hospital in Decatur in addition to numerous other new commercial developments of close proximity to the market area inclusive of restaurants, medical facilities, other professional office buildings, retail strip centers, banking facilities, restaurants, convenience stores, retail facilities, and hotels.

SUBJECT PROPERTY DATA (SITE DESCRIPTION)

LOCATION AND DESCRIPTION:

The subject property and surrounding area was inspected on December 11, 2009. From the inspection, as well as documents provided to the appraiser relevant to the subject property, it is concluded that the subject property consists of a tract of land consisting of approximately 10.325 acres. As has been previously explained, the property is improved with improvements consisting of a single family residential structure, a barn, pipe fencing, and other related improvements that have been considered in this valuation analysis due to the nature of this appraisal assignment. The tract is located in an unincorporated area to the northeast of the Decatur city limits and is currently not subject to zoning.

TOPOGRAPHY:

A topographical survey has not been furnished to the appraiser; however, based on the physical inspection of the subject tract, the terrain is generally characterized as being rolling and partially wooded. According to FIRM Flood Plain Map No. 48497C0150 C, dated March 19, 1990, no significant portion of the subject tract appears to lie within the designated flood plain.

INGRESS/EGRESS:

Ingress and egress to the subject site is provided by road frontage on the east side of Star Shell Road, being less than one mile to the north

of US Highway 380. Therefore, access is considered adequate for this type of property.

DEED RESTRICTIONS:

No study concerning deed restrictions has been conducted by the appraiser. Only a detailed search by a title company or attorney can provide positive assurance of the existence or absence of deed restrictions. However, it is presumed herein that there are no deed restrictions which adversely affect development of the subject site.

PROPERTY TAXES:

The property is subject to ad valorem tax based on assessed values by the Wise County Appraisal District; however, tax data is not considered relevant to litigation matters of the nature of the subject of this valuation analysis.

HIGHEST AND BEST USE

Highest and Best Use, as defined in the Appraisal Terminology Handbook, Fifth Edition, American Institute of Real Estate Appraisers, pages 99-100, is as follows:

"The most profitable likely use to which a property can be put. The opinion of such use may be based on the highest and most profitable continuous use to which the property is adapted and needed or likely to be in demand in the reasonable near future. However, elements affecting value which depend upon events or a combination of occurrences which, while within the realm of possibility, are not fairly shown to be reasonably probable, should be excluded from consideration. Also, if the intended use is dependent on an uncertain act of another person, the intention cannot be considered.

That use of land which may reasonably be expected to produce the greatest net return to land over a given period of time.

That legal use which will yield to land the highest present value, sometimes called optimum use."

A second corresponding definition has been taken from The Appraisal of Real Estate, Tenth Edition, American Institute of Real Estate Appraisers, page 45, which defines Highest and Best Use as:

"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."

The Highest and Best Use determination is a function of market area land use trends, property size, shape, zoning, and other physical factors, as well as the market environment in which the property must compete. The observation of investor activities in the area is an indication of that use which can be expected to produce the greatest net return to the land. In arriving at the estimate of

Highest and Best Use, the subject site is analyzed: "as is, as zoned vacant land available for development".

Implied in the aforementioned definitions is that the determination of Highest and Best Use takes into account the contribution of a specific use to the community and community development goals as well as the benefits of that use to individual property owners.

SITE AS IF VACANT:

Highest and Best Use always analyzes the site as if vacant. If improved, the subject's improvements are analyzed to determine their actual contribution to the site. In order to appropriately determine the highest and best use for the subject tract, actions of the surrounding market - past, present, and future - must first be examined, and four criteria must be considered. The highest and best use must be:

1. **Physically Possible.** The uses to which it is physically possible to put the site in question.
2. **Legally Permissible.** The uses that are permitted by zoning and deed restrictions on the site in question.
3. **Feasible Use.** The possible and permissible uses that will produce any net return to the owner of the site.
4. **Highest and Best Use.** (Maximally Productive) Among the feasible uses, the use that will produce the highest net return or the highest present worth.

PHYSICALLY POSSIBLE:

Physical factors such as size, shape, topography, and frontage affect the potential uses to which land may be developed. For

example, a greater degree of development flexibility exists for larger and regularly shaped parcels than for smaller and irregularly shaped parcels. The utility of a land tract also is dependent upon its street frontage and depth.

The first constraint imposed on the possible use of the property is dictated by the physical aspects of the site itself. The size, shape, and location are typically the most important determinants of value. In general, the larger the site, the greater its potential to achieve economies of scale and flexibility in development. The size of a particular tract, considered within the provision of any applicable zoning or other legal restrictions, has considerable influence on its ultimate development potential. Thus, the key determinant in developing the site would be the permitted size of a proposed project, as more land permits higher density development, higher floor to area ratios, etc. Of further consideration is the general rule that the total number of square feet allowed for a building structure tends to rise in proportion to the size of the tract. Location is of equal significance when considering the subject's proximity to open plazas, retail trade areas, work force areas, public transportation, and major highways providing access and visibility.

By virtue of the subject's size, consisting of approximately 10.325 acres, the tract's size lends itself to a variety of possible uses. Further, the tract's shape does not appear to adversely affect

development potential as it enjoys an adequate amount of road frontage. In recognition of the subject having adequate access with an adequate amount of frontage, these characteristics are considered favorable and allow for a variety of potential flexibility and development. Thus, the tract's size and shape would appear to accommodate a variety of types of development and use. Therefore, in recognition of all of the physical aspects of the subject tract, no significant physical constraints appear existent to the tract with regard to development to its highest and best use in its current state.

LEGALLY PERMISSIBLE:

Legal restrictions as they apply to the subject property are private restrictions and the public restrictions of zoning. The appraiser is not aware of any deed restrictions affecting title, as of the appraisal date, other than common restrictions (utility easements, setbacks, etc.). The appraiser has no knowledge of legal restrictions creating negative consequence to the development of the site. As previously explained, the subject is not currently subject to zoning.

FEASIBLE USE:

Any use of the subject which provides a financial return to the land in excess of that required to satisfy operating expenses, financial expenses, and capital amortization is considered financially feasible. The cost of the land limits those uses which

are financially feasible for the site. The physical characteristics of the land improvements should produce an income stream for an adequate time period to be feasible. Another factor that must be determined is what are the feasible uses of the subject tract. In order to determine such uses, the surrounding property uses and development trends must be examined. It is recognized that uses in the subject's immediate area are predominantly varied single family residential uses with limited agricultural uses. Therefore, as is typical within this market place, the subject would appear to be best served by single family residential usage, as such uses are primarily stimulated by location and legally permitted uses due to size, location, and overall physical characteristics. There are currently similarly improved properties within the general area.

Highest and Best Use As If Vacant:

The appraiser's determination of the subject's highest and best use as it physically exists under the previously explained conditions, assumptions, and qualifications, would center on homogenous land uses as they presently exist in the area. In recognition of current land costs in the area and increasing market demand, the current highest and best use for the property as if vacant would be to improve the property in a manner that would be consistent with its physical characteristics and the aforementioned locational attributes as well as adjoining properties. Thus, as vacant, based on current market demand for such, and in further recognition of

the property's physical characteristics, the property's highest and best use would be considered to be consistent with its surrounding properties, which is for single family residential use as relevant to the subject tract.

Highest and Best Use As Improved:

As previously stated, the subject tract in its current state is improved with improvements that are considered to contribute significant value to the subject property. Based on the current growth pattern experienced throughout Wise County and the level of growth in this market place, coupled with the aforementioned locational attributes, and the physical characteristics of the subject, I am of the opinion that the subject's Highest and Best Economic Use would be for single family residential use, as presently improved and presented in the "as if vacant" analysis as relevant to the subject.

THE APPRAISAL PROCESS

There are three approaches which may be used in the appraisal of real estate. These approaches to value include the **Cost Approach**, the **Sales Comparison Approach**, and the **Income Approach**. These approaches are defined in Real Estate Appraisal Terminology sponsored by the American Institute of Real Estate Appraisers (Revised Edition, 1981), as follows:

The Cost Approach is "that approach in appraisal analysis which is based on the proposition that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility as the subject property. It is particularly applicable when the property being appraised involves relatively new improvements which represent the highest and best use of the land or when relatively unique or specialized improvements are located on the site and for which there exists no comparable properties on the market."

The Direct Sales Comparison Approach is "traditionally an appraisal procedure in which the market value estimate is predicated upon prices paid in actual market transactions and current listing, the former fixing the lower limit of value in static or advancing market (price-wise), and fixing the higher limit of value in a declining market; and the latter fixing the higher limit in any market. It is a process of analyzing sales of similar, recently sold properties in order to derive an indication of the most probable sale price of the property being appraised. The reliability of this technique is dependent upon (a) the availability of comparable sales data, (b) the degree of compatibility of extent of adjustment necessary for time differences, and (c) the absence of non-typical conditions affecting the sales price.

In essence, all approaches to value (particularly when the purpose of the appraisal is to establish market value) are market data approaches since the data inputs are presumably and ideally market derived.

The Income Capitalization Approach is "that procedure in appraisal analysis which converts anticipated benefits (dollar income or amenities) to be derived from the ownership of property into a value estimate. The Income Approach is widely applied to appraising income producing property. Anticipated future income and/or reversions are discounted."

COST APPROACH TO VALUE

A value estimate for the subject site as if vacant may be indicated by employing one of four procedures:

1. The Direct Sales Comparison Approach
2. The Allocation Procedure
3. The Extraction Method
4. The Land Residual Technique

Of these four procedures, the Direct Sales Comparison Approach is considered the most reliable. When few sales are available for comparison, or when value indications through sales comparison need substantiation, one or all of the other methods may be reliably employed, when utilized properly. For this analysis, the Direct Sales Comparison Approach has been selected to estimate the value of the subject site as though vacant and available to be developed to its highest and best use. This approach utilizes sales of similar vacant parcels which are weighed, compared, and related to the land being appraised. A search of the area has produced vacant land sales transactions which are deemed to offer sufficient similarity to afford comparison to the subject property with regard to its site value. These sales, together with the offers to sell and offers to purchase, have been verified by either the buyer, seller, broker or other source considered reliable and having knowledge of the particular transaction. Therefore, the sales data depicted herein are considered reliable indicators of current market conditions for land acquired for the purpose of present or future development; thus, this data is deemed appropriate for the purposes expressed herein, as these sales are located with similar

characteristics as the subject within the market place. These selected sales are documented on the following pages.

Adjustments are required to the prices paid for each of the selected sales to compensate for differences between each tract and the subject site. In applying such adjustments, it is necessary to consider the following factors:

Market Condition - The date of sale is considered in order to assess the overall trend and changes in price levels in the area caused by a lapse in time. This factor may also be appropriate when necessary to estimate the development potential or timing of a particular sale until it becomes ripe for development.

Conditions of Sale - Conditions of sale refers to sell/buyer motivation, special terms of financing arrangements, and/or abnormal circumstances surrounding the transaction which influenced the sale price. Examples of such conditions might include a forced sale, extraordinary seller financing, sale between related parties, or a sale resulting from the exercise of an old option.

Location - Location is an important element to land value. Major location considerations include the general character and trend of surrounding development in the neighborhood area, as well as overall access and exposure, and the relative importance of thoroughfare frontage.

Physical/Utility Characteristics - The overall physical utility and/or characteristics of land have a direct bearing upon its development potential and, therefore, land value. Physical elements which must be considered include zoning, topography, soil conditions, availability of utility services, overall size, shape, depth, and any extraordinary development costs which might be applicable.

Cash Equivalency - All comparable sales were "cash to seller," or adjusted to cash equivalency if seller financing was favorable as compared to typical market financing. If applicable, financed sales with favorable terms will be adjusted to cash equivalency as follows:

<u>Loan/Value Ratio</u>		<u>Market Interest Rates*</u>	
1st Deed	70%	5 Yr. Treasury Note Rate	+5%
2nd Deed	% above 70%	5 Yr. Treasury Note Rate	+7%

*Five year renegotiation, 10 year amortization

COMPARABLE LAND SALES

COMPARABLE LAND SALE #1

Location: 6 Wagon Trail, E of Decatur, TX
Legal: John Allison Survey, Abst 6
Grantor: Joel E. Bricker
Grantee: Tres & Kristin Poynor
Date of Sale: 05/02/08
Recorded: Vol. 1938, Page 173

Site Size: 7.12 Acres
Shape: Irregular
Utilities: Electricity
Flood Plain: None
Topography: Rolling
Zoning: N/A
Frontage: Wagon Trail Dr.

Sales Price: \$49,000, or \$6,882/Acre
Terms: Cash to Seller

Source: MLS #10885537

COMPARABLE LAND SALE #2

Location: 4888 E. US HWY 380, E of Decatur, TX
Legal: J. Allison Survey, Abst 6
Grantor: Sandra Keas
Grantee: NTAE Biofuel Manufacturing LLC
Date of Sale: December 20, 2007
Recorded: Vol. 1902, Page 224

Site Size: 10.00 Acres
Utilities: Electricity, well, septic
Shape: Regular
Flood Plain: None
Topography: Rolling
Zoning: N/A
Frontage: US HWY 380

Consideration: \$220,000, or \$22,000/Acre
Terms: Cash to Seller
Comments: Property is improved with a mobile home of minimal contributory value

Source: MLS #10652450

COMPARABLE LAND SALE #3

Location: Lot 7, PR 4011, E of Decatur, TX
Legal: Lot 7, Bl 7, Wagon Trail Estates
Grantor: Lindsay LaRue
Grantee: Melissa Hingstrum
Date of Sale: 08/10/07
Recorded: Vol. 1723, Page 589

Site Size: 20.00 Acres
Utilities: Electricity
Flood Plain: None
Topography: Rolling
Shape: Irregular
Frontage: Wagon Trail Estates

Sales Price: \$125,000, or \$6,250/Acre
Terms: Cash to Seller

Source: MLS #10761891

COMPARABLE LAND SALE #4

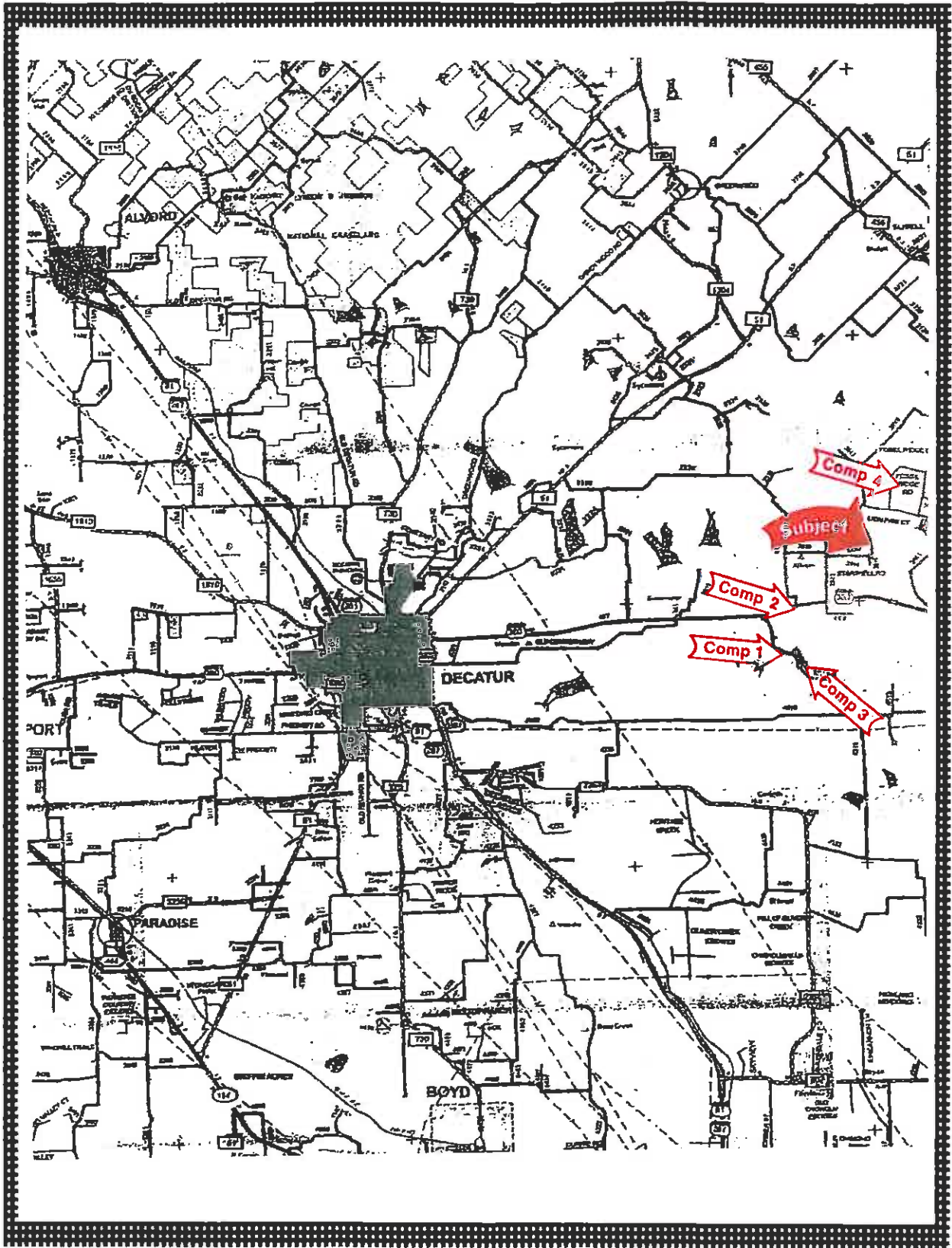
Location: E/S Fossil Ridge Rd, NE of Decatur, TX
Legal: Lot 5, Fossil Ridge Estates
Grantor: Johnnie Sprviell
Grantee: Bill Allgood, et al
Date of Sale: 11/22/06
Recorded: Vol. 1762, P. 207

Site Size: 9.08 Acres
Utilities: Electricity
Flood Plain: None
Topography: Rolling
Shape: Irregular
Frontage: Fossil Ridge Rd

Sales Price: \$62,000, or \$6,828/Acre
Terms: Cash to Seller

Source: MLS #10584707

LAND SALES MAP



COMPARABLE LAND SALES				
Sale No.	Location of Sale	Size (Acres)	Sale Date	Sales Price (Per Acre)
1	6 Wagon Trail (PR 4011) E of Decatur, TX	7.12	05/08	\$ 6,882
2	4888 E. US HWY 380 E of Decatur, TX	10.00	12/07	\$22,000
3	7 Wagon Trail (PR 4011) E of Decatur, TX	20.00	08/07	\$ 6,250
4	E/S Fossil Ridge Rd NE of Decatur, TX	9.08	11/06	\$ 6,828
Subject Property	415 Star Shell Rd NE of Decatur, TX	10.325	12/09	N/A

The foregoing sales offer sufficient comparability to provide a reasonable estimate as to the value of the subject tract. Each sale has been analyzed on a sales price per acre basis and, generally, smaller tracts tend to sell for more on a per unit basis than do larger tracts. Sites such as corner parcels or properties with extensive frontage and good exposure to major thoroughfares tend to sell for more than do parcels with limited frontage, visibility, or access. Other factors which influence values include availability of utilities, topography, density, zoning, improvements, site utility, date of sale, quality of surrounding properties, proximity to major employment, recreation, and shopping, and overall physical characteristics. Thus, the sales utilized and adjusted on the following Comparable Land Sale Adjustment

Charts are considered to be most economically and physically comparable to the subject tract. The sales that have not been utilized in the Adjustment Charts are also reflective for their respective purposes and have been utilized to extract market-derived adjustment factors for comparing each respective sale to the subject.

The land sales, after the implementation of adjustments for differentials in comparison to the subject, are considered to be indicative of the value of the subject tract. Percentage adjustments have been rounded to the nearest 5%. The comparable sales depicted are deemed reflective of market conditions for properties of this nature in the market place.

COMPARABLE SALE ADJUSTMENT CHART

DESCRIPTION SUBJECT	SALE 1	SALE 2	SALE 3	SALE 4
Sale Date	12/09	05/08	12/07	08/07
Size (Ac)	10.325	7.12	10.00	20.00
Topography	Rolling	Rolling	Rolling	Rolling
Shape	Irregular	Irregular	Regular	Irregular
Price/Acre	N/A	\$ 6,882	\$22,000	\$ 6,250
				\$ 6,828
NECESSARY ADJUSTMENTS:				
Time of Sale	Sim.	Sim.	Sim.	Sim.
	-0-	-0-	-0-	-0-
Adj. SP/Acre	\$ 6,882	\$22,000	\$ 6,250	\$ 6,828
Size	Sup.	Sim.	Inf.	Sim.
	-15%	-0-	+25%	-0-
Adj. SP/Acre	\$ 5,850	\$22,000	\$ 7,813	\$ 6,828
Location/Phys Char	Sim.	Sup.	Sim.	Sim.
	-0-	-50%	-0-	-0-
Adj. SP/Acre	\$ 5,850	\$11,000	\$ 7,813	\$ 6,828
Improvements/Utilities	Inf.	Sup.	Inf.	Inf.
	+10%	-10%	+10%	+10%
Adj. SP/Acre	\$ 6,435	\$ 9,900	\$ 8,594	\$ 7,511
Final Adjusted				
Sales Price/Acre	\$ 6,435	\$ 9,900	\$ 8,594	\$ 7,511

DISCUSSION OF ADJUSTMENTS

Time of Sale:

Comparison analyses have been performed by comparison of vacant land sales within the general market area for the time period analyzed which was not reflective of any discernable trend of changing prices. Therefore, no adjustment consideration is deemed warranted for this factor.

Size:

Typically, economies of scale dictate that smaller tracts of land which are economical units in relation to their highest and best use would command higher per unit values due to the investment required in ownership while larger tracts would typically inversely command relatively lower unit prices. The subject tract has been directly compared to the sales utilized for comparative purposes relevant to this analysis. The typical market-derived size : price ratio directly attributed to size differences in this market place is approximately 2 : 1, i. e., a 20% difference in size is reflective of a 10% difference in price. Thus, each of the comparable sales utilized in the comparison chart have been compared to the subject with the aforementioned size : price ratio utilized with each factor being rounded to the nearest 5%.

Location/Physical Characteristics:

As previously explained, numerous factors are reflected by adjustments for location which are judgment decisions based on

accessibility, visibility, topography, development density, quality of surrounding properties, frontage, and proximity of development at various locations. While each of these comparable sales have their own respective locational attributes, a discernable trend through analyses of the sales data is reflective of differences in value directly attributed to locational attributes as well as overall physical characteristics which are inclusive of shape, topography, tree coverage, amount and quality of frontage, etc. Therefore, each of these sales has been directly compared to each respective subject tract with regard to the aforementioned locational and physical factors with the warranted market-derived adjustment factors so indicated.

Improvements/Utilities:

The subject property is additionally improved with a water well, a septic tank, and driveway. Therefore, compared to each of these comparable sales, the respective adjustment factors are deemed appropriate for such.

Land Value Conclusion:

As previously explained, comparable sales data which is deemed reflective of market conditions relevant to the subject tract as if vacant have been analyzed on a unit basis of sales price per acre as compared to the subject property. After the required adjustments summarized in the adjustment grid chart and explained in the preceding commentary, a price range from \$6,435 to \$9,900

per acre was indicated as relevant to the subject tract. These sales utilized herein for comparative purposes are considered most reflective of current market conditions and are considered worthy of prime consideration. Granting equal consideration to the sales utilized from the foregoing analyses, it is the appraiser's opinion that the estimated market value of the subject tract under the hypothetical assumption of the property incurring no damages or loss in value due to petroleum-related encumbrances was derived from sales data deemed reflective of current market conditions. After granting consideration to the respective comparable sales utilized in the comparison grid, the appraiser considers the best point estimate of value for the subject tract as if vacant to be found by utilizing the rounded mean of each respective indicator of value. Thus, I am of the opinion that the estimated market value of the subject tract, as if vacant, as of December 11, 2009, based on the previously mentioned hypothetical assumption of no adverse factors relevant to petroleum exploration encumbrances, is found to be approximately \$8,000 per acre, or rounded:

\$83,000

REPRODUCTION COST ESTIMATE

Reproduction cost estimate is the estimated cost to construct, at current prices, a structure with utility equivalent to the structure being appraised, using modern materials and current standards, design, and layout. From this cost is deducted depreciation, then the current market value of the site is added to arrive at an indicated value by the Cost Approach Method. Depreciation is defined in Real Estate Appraisal Terminology, sponsored by the American Institute of Real Estate Appraisers and the Society of Real Estate Appraisers (Fifth printing, 1983), as:

A loss of utility and hence value from any cause. An effect caused by deterioration and/or obsolescence. Deterioration or physical depreciation as evidenced by wear and tear, decay, dry rot, cracks, encrustation or structure defects. Obsolescence is divisible into two parts, functional and economic. Functional obsolescence may be due to poor plan, mechanical inadequacy or overadequacy, functional inadequacy or overadequacy due to size, style, age, etc. It is evidenced by conditions within the property. Economic and/or locational obsolescence is caused by changes external to the property, such as neighborhood infiltrations or inharmonious property uses, legislation, etc. It is also the actual decline in market value of the improvements to land from time of purchase to the time of resale.

Several methods may be implemented to estimate the replacement costs of the improvements, such as the cost per square foot method, cost per cubic foot method, or the quantitative survey method. The calculator cost per square foot method was selected by the appraiser for the subject improvements. The cost figures utilized have been obtained from other files of the appraiser, having been verified by contractors in the market area; thus, the estimate includes such indirect costs as architect's fees, contractor's overhead and profit, loan fees and interim construction financing.

As previously described, the subject improvements are constructed of average quality and are utilitarian in design. Therefore, in recognition of the finish out and condition of these improvements and an estimated effective age of 10-15 years, incurable physical depreciation is considered applicable to the subject improvements with no curable physical depreciation being applicable in this approach or any other approach in this valuation analysis. Further, the improvements are considered to be functional for their intended use with no functional obsolescence noted.

Depreciation:

Physical Deterioration is caused by the process of aging and wear and tear through use. This deterioration can be either curable or incurable. Physical Curable Depreciation is based on items that need immediate repair or replacement. The reconstruction cost estimate for the subject property assumes new condition and typically includes finish out. As previously mentioned, the improvements have an estimated effective age of 10-15 years based on its overall condition with no significant signs of deferred maintenance; therefore, no curable physical depreciation is deducted from the Cost Approach or any other approach in this analysis.

Physical Incurable Deterioration is estimated by the age/life method. This method (also called the "straight-line" method) assumes an equal amount of capital, is recaptured each period over

the life of the item, and is estimated by dividing the total cost by the life expectancy. Considering the age and condition of the present improvements, incurable physical depreciation is found to be 19% ($12.5 / 65 = 0.1923$). This factor is derived by dividing the estimated effective age (10-15) by the estimated economic life of 65 years.

Functional Obsolescence is a loss in the functional utility attributable to the improvements themselves, and can be either curable or incurable. This form of obsolescence may be the result of some deficiency or excess, as evidenced by outmoded building features, improper or special design and super adequacy or inadequacy. The subject improvements, as designed, and constructed and finished out, are considered to be functional for their intended use. Therefore, the subject improvements also incur no functional obsolescence.

External Obsolescence occurs from sources outside the property itself, such as economic or environmental forces which directly affect the value of the subject property. Due to the external nature of this obsolescence, it is considered to be incurable. This obsolescence may affect both the land and building or simply the improvements. When both the land and improvements are affected, the impact to the land is usually recognized in the site value estimate. Therefore, care must be taken not to penalize the property twice. As noted, a property such as the subject appears

to not have any significant adverse factors with regard to surrounding properties based on the hypothetical assumption that no adverse factors are existent with regard to petroleum-related encumbrances. Further, in recognition of the relatively healthy real estate market conditions currently experienced by the subject market area as indicated by local current strong economic indicators, in spite of the national economic slump, that are expected to continue for the next few years in the immediate subject market area, no economic obsolescence appears to be evident. Therefore, the property also appears to not incur external obsolescence.

Considering the foregoing information and analyses, a summary of the Cost Approach is provided on the following pages. These analyses are utilized to arrive at an estimate of the market value of the subject property as indicated by this approach to value as of the date of appraisal under the aforementioned hypothetical assumptions.

REPRODUCTION COST OF IMPROVEMENTS

REPRODUCTION COST OF STRUCTURE:

Main Structure: 2,790 SF @ \$ 82.50	\$ 230,175
Fencing, Porches, Garage, Barns, Cellar, etc.	<u>69,935</u>

Total Reproduction Cost New \$ 300,110

LESS DEPRECIATION:

Physical Depreciation (Incurable)	(\$67,576)
Functional Obsolescence	(\$ -0-)
Economic Obsolescence	(\$22,508)
Total Accrued Depreciation	<u>(\$ 90,084)</u>

ESTIMATED REPLACEMENT COST LESS DEPRECIATION . . . \$ 210,026

"AS IS" VALUE OF SITE IMPROVEMENTS \$ 10,000

ESTIMATED SITE VALUE \$ 83,000

VALUE INDICATED BY COST APPROACH \$ 303,026

ROUNDED \$ 303,000

SALES COMPARISON APPROACH

An indication of value can be obtained by comparing the subject property to similarly improved properties that have sold in the market place. The critical element in the application of this approach is the determination of what constitutes "the market". It may or may not be appropriate to consider only those sales in the immediate vicinity of the subject property. Judgment must be applied in selecting the market sales which would compete with the subject property for investor capital.

There are several units of comparison which may be used to compare one operating property with another. The following units of comparison have been utilized:

1. **Price per square foot, price per unit:** This type of comparison usually requires subjective adjustments to compensate for differences between the market sales and the subject property. Generally, this type of comparison is considered more reliable than the comparison of gross income multipliers when few comparable market sales are available; however, only when these sales are similar to the subject with regard to physical characteristics.

On the following pages are summaries of relatively recent market sales of similar structures in the subject and competing market places. Sales activity for similarly improved structures has been sufficiently abundant from which to draw comparisons to the subject property, as properties of this nature have incurred a sufficiently active market driven by a relatively high degree of market demand over the past few years from a sales standpoint. The following

market sales are within economic environments similar to that of the subject property and are considered to reflect a probable range of investor attitudes toward the subject property.

COMPARABLE SALE #1



Location: 12820 N County Line Rd
E of Decatur, TX
Legal: A. Lewis Survey
Date of Sale: 11/16/07
Sales Price: \$355,000
Gross Price/SF: \$110.94
Seller concessions: -0-
Terms: Cash to seller

Property Description:
Size (GLA): 3,200 SF
Condition: Average
Year Built: 1998
Construction: Brick Veneer
BR/Baths: 4/3
Site Size: 12.94 Acres
Garage/Carport: 2-Car Garage
Fireplaces: 1 WBF
Addl Improvements: Horse barn w/7 stalls & tack room,
slick wire fencing

Source: MLS #10652479

COMPARABLE SALE #2



Location: 14275 FM 2449, W of Ponder, TX
Legal: MEP & PRR Survey, Abst 1472
Date of Sale: 04/05/07
Sales Price: \$285,000
Gross Price/SF: \$103.11
Seller concessions: -0-
Terms: Cash to Seller

Property Description:
Size (GLA): 2,764 SF
Condition: Average
Year Built: 1984
Construction: Brick Veneer
Site Size: 15.21 Acres
BR/Baths: 3/3
Garage/Carport: None
Fireplaces: 1 WBF
Addl Improvements: Storage/workshop, pipe fencing

Source: MLS #10704698

COMPARABLE SALE #3



Location: 165 Highland Hills Blvd
E of Decatur, TX
Legal: Lot 4, Bl 2, Highland Hills Estates
Date of Sale: 04/25/07
Sales Price: \$189,900
Gross Price/SF: \$77.04
Seller concessions: \$4,153
Terms: Cash to Seller

Property Description:
Building Size: 2,465 SF
Condition: Average
Year Built: 2006
Construction: Brick veneer
Site Size: 1.00 Acres
BR/Baths: 3/2.5
Garage/Carport: 2-Car garage
Fireplaces: 1 WBFP
Addl Improvements: None

Source: MLS #10621411

ADJUSTMENT CHART				
DESCRIPTION	SUBJECT	SALE 1	SALE 2	SALE 3
Sales Price	N/A	\$355,000	\$285,000	\$189,900
Sales Price/SF	N/A	\$110.94	\$103.11	\$77.04
Sales Date	12/09	11/07	04/07	04/07
Size (GLA SF)	2,790	3,200	2,764	2,465
Eff Age	10-15	10-15	20-25	3-5
BR/Baths	4/3	4/3	3/3	3/2.5
NECESSARY ADJUSTMENTS:				
Age/Condition Adjustment (\$3,000/yr)		Sim. -0-	Inf. +\$30,000	Sup. -\$25,500
Size (GLA) Adjustment (\$50/SF)		Sup. -\$20,500	Inf. +\$ 1,300	Inf. +\$16,250
Site Value Extraction		Sup. -\$ 90,500	Sup. -\$106,500	Sup. -\$ 25,000
Garage/Carport Adjustment		Sim. -0-	Inf. +\$ 6,000	Sim. -0-
BR/Baths Adjustment		Sim. -0-	Sim. -0-	Inf. +\$ 4,000
Addl Improvements/FP Adjustment		Sup. -\$ 8,000	Inf. +\$ 5,000	Inf. +\$ 30,000
Net Adjustments		-\$119,000	-\$ 64,200	-\$ 250
Indicated Improvement MV		\$236,000	\$220,800	\$189,650

ESTIMATED MARKET VALUE VIA SALES COMPARISON APPROACH:

IMPROVEMENTS: \$215,000
SITE VALUE: 83,000

TOTAL ESTIMATED MARKET VALUE: \$298,000

DISCUSSION OF COMPARABLE SALES

The three comparable sales previously captioned have been utilized for comparison purposes, as these sales are all considered to warrant consideration in this comparison analysis, offering sufficient similarity to the subject property for comparison purposes.

Age/Condition:

Each of these sales utilized herein warrants adjustment consideration relevant to these factors with the exception of Sale 1, which is considered relatively similar to the subject with regard to age and condition. As previously explained, properties of this nature incur incurable physical depreciation based on the age and condition of improvements. Thus, annual depreciation factors based on an approximate annual depreciation rate of 1.5% has been applied as compared to the subject that are based on the land-extracted contributory value of improvements.

Size/Site Value:

Each comparable sale has been compared to the subject with regard to gross living area with adjustments based on \$50 per square foot, which is based on the respective site values and other additional improvements having been extracted to account for the amount of each respective sales price directly attributed to the residential structure. These respective site values have been additionally extracted from the respective sales prices, as this analysis is

relevant to improvement values only, which is then added to the previously arrived at site value as if vacant.

Additional Improvements:

Additional adjustment consideration has been implemented based on the estimated difference in contributory value relevant to additional improvements as indicated.

Conclusion:

As previously explained, the preceding comparable sales in the adjustment grid have been used for comparative purposes due to their favorable comparison to the subject property. It is considered that the sales used in the grid are most similar to the subject in this market place and have been relied upon for the purpose of estimating market value via the Direct Sales Comparison Approach. The adjustments required have been explained herein, as each of the sales' respective land values were extracted for comparison purposes in this analysis. This analysis is reflective of an indicated range of values, after the preceding adjustment process, from \$189,650 to \$236,000, exclusive of land values. All of the comparable sales are deemed worthy of consideration in this valuation analysis and the conservatively rounded mean of the indicated range of these respective value indicators is deemed appropriate as an indication of value for the subject property. Thus, the estimated market value of the subject via the Sales Comparison Approach is found to be **\$298,000** (\$215,000 + \$83,000).

RECONCILIATION

The three recognized approaches to value have been presented with two of these three approaches having been utilized and explained in previous sections of this report. The analyses of the pertinent facts and data which were considered to influence the value of the subject property analyzed herein have led to the following market value estimates relevant to the subject property:

Cost Approach to Value	\$303,000
Direct Sales Comparison Approach	\$298,000
Income Approach to Value	N/A

It is appropriate first to recapitulate the procedures and conclusion of each of the approaches utilized herein, and then reconcile them into a final estimate of market value for the subject property. In estimating Market Value via the Cost Approach, the following procedure was undertaken:

- 1) The land value was estimated by market comparison;
- 2) The reproduction cost new of the subject building(s) and other improvements was estimated;
- 3) An estimate of accrued depreciation was made, considering physical deterioration, functional obsolescence, and external obsolescence;
- 4) The total amount of accrued depreciation was deducted from the reproduction cost new of the existing improvements;
- 5) The depreciation cost new of the building and of the site improvements were then added to the estimated value of the land (site) to arrive at an indication of market value of the subject property.

The estimated value of the site is considered to be reliable considering the relatively narrow range of value indicated by the

sales data utilized for comparison purpose. The utilized adjustments were typically documented by the study of paired sales. The estimates of Reproduction Cost New of the subject structure and other site improvements are considered to be reliable, as reproduction cost estimates have been obtained from local contractors and confirmed from other files of the appraiser.

In estimating Market Value via the Direct Sales Comparison Approach, four steps were undertaken:

- 1) An extensive search was made to find comparable sales transaction properties for which pertinent data were available;
- 2) The sales price, terms, and motivation for this sale were studied and verified;
- 3) The property that sold was compared to the subject for the purpose of identifying and measuring the differences in terms of which adjustments had to be made; and
- 4) In light of the analysis that was made, units of comparison were developed and an estimate of the market value of the subject property derived.

The Sales Comparison Approach identifies and measures the market reactions of typical buyers and sellers of similar and/or competitive properties. This approach reflects the buyers' judgments about the physical depreciation, functional utility, and adverse economic influences, which when analyzed with adequate sales data, left a narrow margin of error in estimating the market value of the subject property. Since no two properties are exactly alike, adjustments for differences are typically necessary.

As previously explained, the Income Approach to Value is typically not utilized in valuation analyses relevant to properties of this

nature, as this type of property is typically acquired for the purpose of owner-occupied single family residential use. Therefore, this approach to value was not utilized in this analysis.

In conclusion, and in recognition of the purpose of this appraisal and the type of property being appraised, as previously explained, two of the three utilized approaches to value are considered to warrant primary consideration, the Direct Sales Comparison Approach and the Cost Approach. Thus, the estimated market value of the subject property, as identified herein, based on the hypothetical assumption previously explained relevant to the existence of any petroleum-related encumbrances, as of December 11, 2009 was found to be:

\$300,000

THREE HUNDRED THOUSAND DOLLARS

ADDITIONAL ANALYSES RELEVANT TO ENCUMBRANCES

As previously explained, the subject property is encumbered and surrounded on two sides by petroleum-related encumbrances, some of which are actually situated on the subject property of close proximity to the subject improvements, that are considered to significantly adversely affect the marketability and market value of the subject property. After an extensive research attempt relevant to similarly encumbered properties that have sold in the market place, some analyses have been performed to demonstrate the significance of this detriment to value, as sales of properties that had actually been encumbered to the same extent was not available. Therefore, the aforementioned research has revealed one sale that was of relatively close proximity to a small compressor station that is considered to be impaired by a significantly less degree of adversity with regard to value and marketability:

DESCRIPTION	SUBJECT A	SALE a	SALE aa
Location	5885 High Mesa NW of Justin, TX	1514 Schober Rd NE of Justin, TX	12521 Cartwright NW of Justin, TX
Sales Price	\$318,785	\$526,000	\$370,000
Price/SF	\$106.94	\$181.19	\$119.36
Sales Date	07/31/07	09/25/06	08/20/07
Site (Acres)	15.56 (\$136,000)	5.0 +\$14,000	2.03 +\$72,000
Size (GLA)	2,981 SF	2,903 +\$ 4,700	3,100 -\$ 7,100
Const. Qual.	Br/Stone Ven	Br/Stone Ven	Br/Stone Ven
Eff Age	1-3 (2004)	0 (New) -\$ 8,000	1-3 (2005)
Design/Appl	1-Story/Ranch	1-Story/Ranch	1-Story/Ranch
Room Count	8/4/2.5	9/3/3 -\$ 2,000	10/4/3-\$ 2,000
Garage	3-Car	3-Car	3-Car
Fireplaces	1-GFP	1-WBFP	1-GFP
Addl Impr.	None	Wd Fen-\$ 3,500	None
Net Adjustments		+\$ 5,200	+\$62,900
Adjusted Sales Price		\$531,200	\$432,900
	Sale A:	\$318,785	
	Mean of Sales a & aa:	<u>482,050</u>	
	Difference:	\$163,265, or 34%	

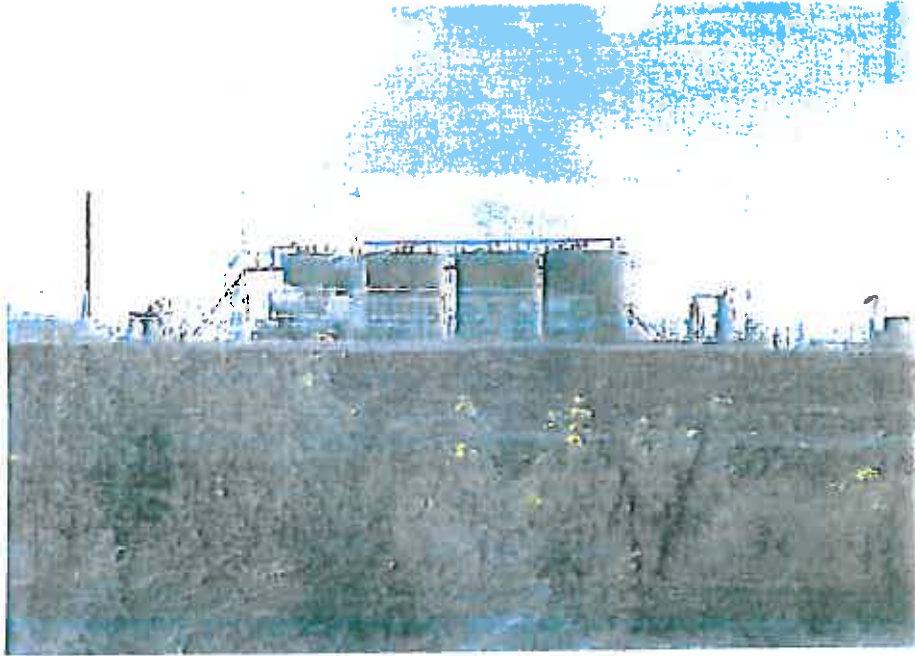
The aforementioned research efforts have further revealed another sale of a single family residential property within the general market area that was also adversely affected by its proximity to petroleum-related encumbrances; however, this adversity is also considered to be of a significantly less degree than the subject's encumbrances, as this property referred to as Subject B is located across the street to a gas well with accompanying storage tanks:

DESCRIPTION	SUBJECT B	SALE b	SALE bb
Location	102 East Ridge W of Decatur	325 Wildwood W of Decatur	124 Comanche Moon W of Decatur, TX
Sales Price	\$275,000	\$600,000	\$475,000
Price/SF	\$93.86/SF	\$120.97/SF	\$134.56/SF
Sales Date	07/21/06	08/14/07	11/14/06
Site (Acres)	4.88 (\$95,000)	6.22 -\$ 15,000	5.419 -\$ 5,000
Size (GLA)	2,930 SF	4,960 -\$121,800	3,530 -\$ 36,000
Const Qual	Br/Stucco Ven	Brick Veneer	Br/Stone Veneer
Eff Age	10 (1997)	5-10 -\$ 10,000	5-10 -\$ 10,000
Design/Appl	2-St/Colonial	2-St/Colonial	2-St/Traditional
Room Count	10/4/3.5	11/4/4-\$ 2,000	11/4/3 +\$ 2,000
Garage	3-Car	6-Car -\$ 6,000	3-Car
Fireplaces	1-WBFP	1-WBFP	1-WBFP
Addl Imp	Pipe Fen,	Gar Apt\$ 25,000	Barn +\$ 25,000
Net Adjustments		+\$129,800	-\$ 24,000
Adjusted Sales Price		\$470,200	\$451,000
	Sale B:	\$275,000	
	Mean of Sale b & bb:	<u>460,000</u>	
	Difference:	\$185,000, or 40%	

DISCUSSION OF ADDITIONAL ANALYSES

The previously presented paired sales analyses are reflective of losses in value that can be directly attributed to the existence of petroleum-related encumbrances. Both of these properties referred to herein as Subjects A & B have been adversely affected by proximity to such; however, as previously explained, neither of these sales are considered to be nearly as adversely affected as the subject. Further, it is the appraiser's opinion that the subject actually incurs a loss in value equivalent to twice that amount indicated by these two respective analyses. Therefore, the mean of these two respective analyses is found to be reflective of a 37% difference in price ($0.34 + 0.40 = 0.74 / 2 = 0.37$). However, as previously stated herein, the subject is considered to incur a loss in value equivalent to twice this indicated amount, or 74%, which is equivalent to a loss in value of \$222,000, thus resulting in an estimated market value of the subject property in its "as is" value as of December 11, 2009 to be \$78,000 (\$300,000 - \$222,000).

ADDITIONAL PHOTOGRAPHS

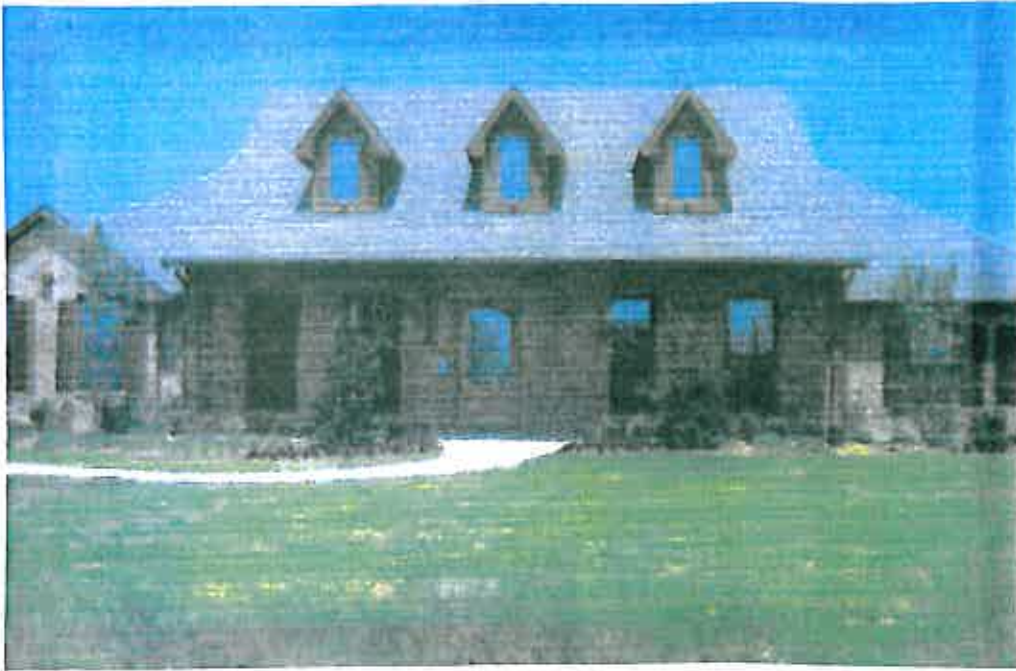


GAS COMPRESSOR STATION LOCATED WEST OF 5885 HIGH MESA DR



SUBJECT A - 5885 HIGH MESA

ADDITIONAL PHOTOGRAPHS



SALE a - 1514 SCHOBER RD



SALE aa - 12521 CARTWRIGHT TRAIL

ADDITIONAL PHOTOGRAPHS



ENCUMBRANCE LOCATED ACROSS STREET FROM 102 EAST RIDGE



SUBJECT B - 102 EAST RIDGE

ADDITIONAL PHOTOGRAPHS



SALE b - 325 WILDWOOD



SALE bb - 124 COMANCHE MOON

ADDENDA

GENERAL CERTIFICATION

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

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

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

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

I have no bias with respect to the property that is the subject of this report or to the parties involved within this assignment.

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

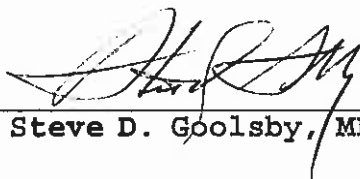
My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

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

This appraisal assignment was not conditioned on the appraisal producing a specific value, a value within a given range, or the approval of a loan.

I have made a personal inspection of the property that is the subject of this report.

No one provided significant professional assistance to the person(s) signing this report.



Steve D. Goolsby, MBA, Appraiser

QUALIFICATIONS OF THE APPRAISER
STEVE D. GOOLSBY, MBA

STATE CERTIFIED GENERAL REAL ESTATE APPRAISER - TEXAS
NUMBER: TX-1321957-G

**BUSINESS
ADDRESS:**

ADVANCED APPRAISAL SERVICES
111 S. Trinity
Decatur, Texas 76234
(940) 627-4498 (940) 387-2101

EDUCATION:

Master of Business Administration
University of North Texas, Denton, Texas

Bachelor of Science - Economics/Banking & Finance
SE Oklahoma State University, Durant, Oklahoma

**EMPLOYMENT
EXPERIENCE:**

Self-employed since 1980 accepting assignments in the appraisal of commercial, rural, residential, industrial, agricultural, and special purpose properties. Additionally, previously employed as Instructor of real estate and appraisal courses at Weatherford College, Weatherford, Texas, East Texas State University, Commerce, Texas, and SE Oklahoma State University, Durant, Oklahoma. Employed previously as District Manager and Sales Manager for insurance and real estate firms.

GENERAL:

Successfully completed the following and additional courses offered by the Appraisal Institute, the Lincoln Graduate Center and the Columbia Institute:

Real Estate Appraisal Principles	1-A1
Basic Valuation Procedures	1-A2
Intro to Appraising Real Property	101
Principles of Income Property Appraising	201
Applied Income Property Valuation	202
Standards of Professional Practice	SPP
Report Writing & Valuation Analysis	2-2
Practice of Condemnation Appraisal	209

In addition, various real estate and appraisal courses offered at the University of North Texas, Mountain View College, The University of Texas at Arlington, and SE Oklahoma State University.

ASSIGNMENTS:

Provided testimony as an Expert Witness in federal, district, county, and special court proceedings and prepared appraisals and other analyses for financial institutions, governmental agencies, municipalities, attorneys, accountants, utility companies, and individuals.