

APPRAISAL OF REAL PROPERTY



LOCATED AT

1103 US Highway 385 S
McCamey, TX 79752
1019 H7TC Blk 35, Sec 64 1 AC PT E2NW4SE4SW4

FOR

Atlantic Union
175 SW 7th St Suite 1216
Miami, FL 33130
RE: Commercial Bar and RV spaces

OPINION OF VALUE

See the following pages

AS OF

January 15, 2021

BY

Deanna Peden
Basin Appraisals, LLC
3106 San Jose Dr
Odessa, TX 79765-8500
432-352-2508
deanna.basinappraisalsllc@gmail.com
Certificate No. TX 1338135-G

Letter of Transmittal - Page 1

BASIN APPRAISALS LLC
DEANNA PEDEN
3106 San Jose Drive
ODESSA, TEXAS 79762
Phone 432/550-5588 Cell 432/352-2508
Deanna.basinappraisalsllc@gmail.com

February 1, 2021

Lender: Atlantic Union
175 SW 7th St. Suite 1216
Miami, FL 33130
processing@atlanticunionlending.com

RE: The Hut Bar and Grill and RV Park
1103 S Hwy 385
McCamey, TX 79752

Dear Lender,

As requested, an *Appraisal* has been made on the above referenced property located in McCamey, Upton County, Texas. The purpose of this appraisal is to give you an estimate of "As Is" Market Value as of January 15, 2021. This report speaks only as of its date.

A cursory inspection of the subject premises, as well as, an analysis of relevant data such as local market trends, pertinent land and whole property sales, if available, and supply/demand demographics has been made. This appraisal has been communicated in a Summary Appraisal Format.

This appraisal was performed in accordance with the requirements of the Uniform Standards of Professional Appraisal Practice that were in place at the time this appraisal report; the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA); the Code of Professional Ethics and Standards of Professional Appraisal Practice; along with the requirements of our client as understood by the appraiser.

Included within the attached *Appraisal Report* are the data employed and reasoning utilized in the formulation of the value opinion. Non realty items were not included in the value estimate. The estimated market value of the Fee Simple estate, **surface only**, is as follows:

Letter of Transmittal - Page 2

**TWO HUNDRED FIVE THOUSAND DOLLARS
(\$205,000)**

I hereby certify that I physically inspected the subject property and made an exterior inspection of all comparable property and data employed in this report unless otherwise indicated.

I have no current or contemplated interest in the Subject Property. The payment of the fee for services rendered herein is not contingent upon a predetermined value of the Subject Property.

I appreciate the opportunity to serve you in the preparation of this appraisal report. If there are any questions regarding this report, please do not hesitate to contact me.

Sincerely Yours,



**Deanna Peden
State Certified General
Real Estate Appraiser
No. TX-1338135-G**

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Summary of Significant Facts - Page 1

SUMMARY OF SIGNIFICANT FACTS AND CONCLUSIONS

Effective Date:	January 15, 2021
Date of Report:	February 1, 2021
Property Rights Appraised:	Fee Simple estate
Purpose of Appraisal:	To provide an estimation of Market Value "As Is"
Flood Plain Map #:	None Available: No Firms for McCamey in Uption County
UCAD Account #:	2947HT-035-064-010
UCAD Parcel Number:	8519
Subject Property Information:	Survey 1019
Location:	1103 S Hwy 385 (Blk 35, Sect 64) McCamey, TX 79752
Building Types:	Commercial Building: Restaurant and Bar or Nightclub. Dilapidated Commercial Building: Former Ballroom with stage, kitchen area and lounge area. 6 RV hookups with water and electricity
Building Sizes:	2,580 SF Commercial Building 11,100 SF Partial Building 444 SF Covered Front Porch (Concrete) 473 SF Covered Wooden Deck 85 SF Front Storage room 375 SF Back covered Porch (partial walls)
RV resident Sites:	6 RV Sites

Additional Improvements:	Caliche/gravel surfacing drive areas landscaping and some fencing; 3 1,000 gallon Septic Tanks.
Construction:	2580 Sf Commercial Building: Stucco exterior framed building, Metal roofed covered patios and decks. 85sf storage is stucco also.
Actual Age/Condition:	11,100 SF built in 1985 Poor 2,580 SF built 1999 Avg
Land Size:	1.00 AC or 43,560 SF
Zoning:	None: Outside of the City Limits
Highest and Best Use:	Commercial
Indicated Whole Property Value via The Cost Approach:	\$265,000
Indicated Whole Property Value via Sales Comparison Approach:	\$ 164,000 UP TO \$189,000
Final Value Estimate – Fee Simple estate:	\$ 205,000

QUALIFICATIONS OF DEANNA PEDEN

DESIGNATION:

State Certified General Real Estate Appraiser - No. TX -1338135-G

EDUCATION

Texas Tech University - Lubbock, Texas

Master of Science 1987

Bachelor of Science 1984

Champions School of Real Estate & Appraisal Institute- Dallas, Houston, San Antonio, Arlington

PROFESSIONAL EXPERIENCE

General Appraiser: October 2005 – present

SK Real Estate Appraisal, Hallmark Appraisals Inc., & Basin Appraisals LLC.

Teacher: Ector County Independent School District - Odessa, TX	1989-92, 1996-99, & 2002-04
Loving Municipal Schools - Loving, New Mexico	1992-1993
Odessa College - Odessa, Texas	1991
Andrews Independent School District - Andrews, Texas	1985-1988
3M Baker Graphics - Lubbock, Texas - Sales Representative	1985
Realtor: Sims and Guess Better Homes and Gardens	1995-96

PROFESSIONAL ORGANIZATIONS

Association of Texas Appraisers, JH Women's and Children's House Board

Texas Tech Alumni Association

APPRAISAL COURSES

Appraisal Institute's course 1410N	National USPAP Course & updates
Appraisal Institute's course 100 & 101GR	Basic Appraisal Principles
Basic Appraisal Procedures	Basic Income Capitalization
General Market Analysis & Highest & Best Use	Professional's Guide to URAR
General Applications	Business Practices & Ethics
Hotel Appraising New Techniques	Land & Site Valuation
Environmental Pollution & Mold	Mortgage Fraud- Appraiser Risk Management
Appraising 2-4 Family Properties	Appraising in a Depressed Market
Appraisal of Assisted Living Facilities	Appraisal of Self-Storage Facilities
Modern Green Building Concepts	Condemnation Appraising Principles & Applications
FHA SFR Appraising Handbook 4000.1	TX Appraising for Supervisor

REPRESENTATIVE APPRAISER CLIENT LIST

- Complex Community Federal Credit Union	- Community National Bank
- Commercial State Bank	- First Basin Credit Union
- Patriot Bank	- Southwest Heritage Credit Union
- Tejas Bank	- Numerous individual clients

Subject Photo Page

Borrower	Ali, George						
Property Address	1103 US Highway 385 S						
City	McCamey	County	Upton	State	TX	Zip Code	79752
Lender/Client	Atlantic Union						



Subject Front

1103 Us Highway 385 S

Sales Price

Gross Living Area 13,680

Total Rooms

Total Bedrooms

Total Bathrooms

Location

View

Site

Quality

Age



Subject Rear



Subject Street

Photograph Addendum

Borrower	Ali, George						
Property Address	1103 US Highway 385 S						
City	McCamey	County	Upton	State	TX	Zip Code	79752
Lender/Client	Atlantic Union						



Street view to the North with the new signage



Front Storage



Front Left



Front Right



Front Porch Bar



Front Deck

Photograph Addendum

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Evaporative cooler and heater



Electric Meter



Breaker Box



Water Heater



Back covered porch



Outdoor Stage

Photograph Addendum

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Lender/Client	Atlantic Union						



Deteriorating wood



Broken Window



Back Left view



Back Right view



RV Park towards highway



RV Park from the front of the property

Photograph Addendum

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Lender/Client	Atlantic Union			Zip Code	79752



New Signage for the Bar and Grill



Electric Box and Water Access and Sewer for the RV. There are currently 6 but can have up to 10.

Photograph Addendum

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Lender/Client	Atlantic Union						



Interior with the rear Bar



Interior with the front bar



Interior towards the front



Interior towards front bar area



Refrigerated Air Window Unit Used to enhance the Central Evaporative Cooling



Window Unit #2

Photograph Addendum

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Property Address	1103 US Highway 385 S				
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Lender/Client	Atlantic Union			Zip Code	79752



Ceiling Air Vents and Ducting and columns



Serving bar from Kitchen



Entrance to Kitchen and Back door to Building



Kitchen Gas Stove top



Kitchen Sink and Grill



Kitchen Fryer, Grill and Stove

Photograph Addendum

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City	McCamey	County	Upton	State	TX	Zip Code 79752
Lender/Client	Atlantic Union					



Kitchen from Storage Room



Restroom 1



Restroom 1 View 2



Restroom 2

Signature _____
Name **Deanna Peden**
Date Report Signed _____
State Certification # **1338135** State **TX**
Or State License # _____ State _____

Photograph Addendum

Borrower	Ali, George						
Property Address	1103 US Highway 385 S						
City	McCamey	County	Upton	State	TX	Zip Code	79752
Lender/Client	Atlantic Union						



North end of the Covered Ballroom



Ballroom Stage



2nd room from back



Ballroom No Roof



11,100 SF building



Total property both buildings and RV part

DEFINITION OF THE PROBLEM

PROPERTY IDENTIFICATION

The subject property is located in Upton County, Texas.

The subject property legal description according to the Upton County Appraisal District is
1019 H7TC BLK 35 SEC 64 1 AC PT E2NW4SE4SW4 Upton County, Texas.

PURPOSE OF THE APPRAISAL

The purpose of this report is to provide an estimation of Market Value of the Fee Simple estate (as defined below by the Office of the Comptroller) of the subject property "as is" as of January 15, 2021 for sale of the property.

DEFINITION OF MARKET VALUE

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

- (1) Buyer and seller are typically motivated;
- (2) Both parties are well-informed or well-advised, and acting in what they consider their own best interests;
- (3) A reasonable time is allowed for exposure in the open market;
- (4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Definition from B4-1.1-01 Definition of Market Value (04/15/2014) fanniemae.com

EXPOSURE TIME

"The estimated length of time the property interest being appraised would have been

Intended User and Use - Page 1

offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort." (Appraisal Standards Board of The Appraisal Foundation, Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions") *The Dictionary of Real Estate Appraisal*, Fourth Edition p. 105.

The estimate of market value presumes an exposure time of about 6-12 months. Additionally, a reasonable marketing period after the value conclusion equals that of the exposure time or between 6 and 12 months. If the property is listed too high, it could be on the market for years.

PROPERTY RIGHTS APPRAISED

Fee Simple Estate

DEFINITION OF FEE SIMPLE ESTATE

According to The Dictionary of Real Estate Appraisal, Fourth Edition, published by the American Institute of Real Estate Appraisers, Fee Simple Estate is defined as follows:

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

FUNCTION OF THE APPRAISAL

This appraisal report is to be employed in the decision making process regarding a collateral loan decision on the real property that is the subject of this report.

INTENDED USER OF THE APPRAISAL

This appraisal and appraisal report are intended for use only by Atlantic Union Inc. The use of this appraisal and/or appraisal report by any other user(s) is strictly prohibited.

Intended User and Use - Page 2

INTENDED USE OF THE APPRAISAL

This appraisal and appraisal report are intended for use by Atlantic Union and their representatives in finance decisions regarding market value of the subject property, contingent on the stated Scope of Work, purpose of the appraisal and Definition of Market Value. The utilization of this appraisal and/or appraisal report for any other uses(s) is prohibited.

SCOPE OF WORK / APPRAISAL PROCESS

The appraisal process is the orderly program wherein data employed in estimating the value of the subject property is acquired, classified, analyzed and presented. The first step in the appraisal process involves defining the appraisal problem. This step includes the identification of the real estate, the effective date of the value estimate, the identification of the property rights being appraised and the type of value being sought. Data is then collected and analyzed. Relevant factors affecting the value of the subject property, such as area and neighborhood analyses, site and improvement analyses, and the highest and best use analysis are considered in estimating the property's value.

Appraiser observed the interior and exterior of the commercial buildings and the subject site. Appraiser measured the commercial buildings on the property and took many pictures of the subject in order to convey the property condition and amenities to the reader.

Generally, three approaches to value are utilized; the Cost Approach, the Sales Comparison Approach, and the Income Approach. The final step in the appraisal process is the reconciliation or correlation of the value indications. In the correlation, the relative applicability and defensibility of each approach is considered; and a final estimate of value is reached.

The market normally produces sales that reflect the current market. The Sales Comparison Approach will be utilized with the most current available comparables that can be verified. The Income Approach to value is not considered at this time because none of the property is leased including the RV sites.

The term "Scope of the Appraisal" refers to the extent of the process of collecting, confirming, and reporting data. All three approaches to value were considered but only two are utilized to estimate the market value of the subject property. The Cost Approach is most effective and reliable when valuing proposed construction, or a fairly new property. This property does not fall into this category. However, since we have various amenities that are not congruent with or corresponding to each of the sales found as they

all have various accessory buildings and some have none, the cost approach to value was considered to see if this approach would better account for these variances for this property. The land and the RV sites will be added to the Corelogic Marshal and Swift Estimator to arrive at a value.

Limited Sales are available in the area but must be used for the subject property as it is currently the most applicable approach. This along with the Cost Approach will each be considered and reconciled.

The *Cost Approach* is a method in which the value is derived by estimating the reproduction or replacement cost new of the improvements. These estimates are based on consultation with a local general contractor and/or the use of the Marshall/Swift Valuation Service. All applicable forms of depreciation and obsolescence are then estimated and deducted from this cost. The estimates for depreciation and obsolescence are based on observed condition, cost to cure analyses, and abstractions from comparable sales data in the *Sales Comparison Approach*. The resulting depreciated value of the improvements is then added to the market value of the land as derived from the Sales Comparison Approach for the land only.

The *Sales Comparison Approach* is typically used to estimate the value of the site, as well as, to estimate the value of the whole property, land and improvements. In applying this approach on a land only and a whole property basis, actual sales of similar properties are researched and analyzed. The value is then estimated based upon the pattern of prices being paid and received in the market. The reliability of this approach is directly related to the quantity and quality of available data, and when adequate data are available, the result is usually a credible market value indication.

In the *Income Approach*, value is estimated based on future benefits to be derived from ownership of a property. This method utilizes comparable rentals to forecast the maximum obtainable economic rent. From this, an allowance for vacancy and credit loss and all expenses associated with ownership are deducted in order to estimate the net operating income. The resulting net operating income is then processed into an indication of value by employing the appropriate capitalization rate. The overall capitalization rate is market oriented being abstracted from comparable sales data. Additionally, a second method of valuing a property by the Income Approach is by means of an EGIM (effective gross income multiplier) can be utilized. These rates are from previous reports in the appraiser's files. This value is not considered as one of the approaches to value for this property but is developed to assist the

appraiser in highest and best use analysis and find the contributory value of the RV park of the mixed use property.

DATE OF VALUE ESTIMATE

January 15, 2021

DATE OF REPORT

February 1, 2021

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

Appraiser has made the report subject to the following:

1. No responsibility is assumed for legal matters or the legal description, including title or encumbrances, that affect the property appraised. Unless otherwise stated, title to the property is assumed to be good and marketable, and the property is further assumed to be free and clear of any or all liens, easements or encumbrances.
2. Competent property management and responsible ownership are assumed.
3. Information furnished by others, upon which all or portions of this report are based, is considered reliable and believed to be true and correct. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can readily be obtained or renewed for any use on which the value estimates contained in this report are based. However, the appraisers give no warranty as to the accuracy of such information.
4. The property areas and dimensions were obtained from sources believed to be reliable. Any maps or sketches may show approximate dimensions and are included only to assist the reader in visualizing the property. The Appraiser(s) have conducted no survey of the property.
5. The assumption is made that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. The appraiser(s) assume no responsibility for such conditions or for arranging for engineering studies that may be required to discover such factors.
6. No Appraiser(s) signing or associated with this report shall be required by reason of this report to appear or give testimony in court, unless specific arrangements have been previously made therefore.
7. The allocation, if any, in this report of the total valuation between components of the property applies only to this report's stated program of utilization. The separate valuations for any components may not be applied for use in conjunction with any other appraisal and are invalid if so used.
8. The appraised value is predicated on the prevailing financial structure as of the date of this report.

9. Full compliance with all applicable federal, state, and local zoning, use, environmental and similar laws and regulations is assumed, unless otherwise stated.
10. Disclosure of the contents of the appraisal report is governed by the bylaws and regulations of the Appraisal Institute.
11. This report has been made only for the purpose stated therein and shall not be used for any other purpose. Neither this report nor any portions thereof (including conclusions as to property value, the identity of the Appraiser(s) signing or associated with this report, or the professional associations or organizations with which they are affiliated) shall be disseminated to any third party without the prior written consent and approval of the Appraiser(s).
12. Deanna Peden and/or contracting appraisal company maximum liability relating to services rendered under this report shall be limited to the charges paid to Deanna Peden and/or contracting appraisal company for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental, or punitive losses, damages, or expenses even if it has been advised of their possible existence.
13. The client shall indemnify and hold harmless Deanna Peden and/or contracting appraisal company and its personnel from and against any claims, liabilities, costs, and expenses brought against, paid, or incurred by Deanna Peden and/or BASIN APPRAISALS LLC at any time and in any way arising out of or relating to our services under this report. This provision shall survive the termination of this agreement for any reason.
14. This report may not be included or referred to in any Securities and Exchange Commission filing or other public document.
15. No observation or interpretations on compliance with the American with Disabilities Act are made. We are not experts in this field and realize we are not qualified to make such determinations. Our value estimate is predicated upon the property owner(s) bearing no cost for compliance.
16. On all appraisals subject to satisfactory completion, repairs, or alterations, the appraisal report and value conclusion are contingent upon completion of the improvements in a workmanlike manner.

17. It is assumed that the property or properties conform to all applicable zoning and use regulations and restrictions, unless a nonconformity has been stated, described, defined, and considered in the appraisal report.
18. It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national, government or private entity or organization have been or can be obtained or renewed for any use on which the opinion of value contained in this report is based.
19. The property is appraised as is regardless of any or all liens or encumbrances unless otherwise stated. Property may have a current collateral loan.
20. All engineering is assumed to be correct. Any plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
21. 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.
22. It is assumed that utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
23. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
24. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event only with proper written qualification and only in its entirety.
25. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.
26. ***Unless otherwise stated in this report, we did not observe the existence of***

hazardous material, which may or may not be present on the property. We have no knowledge of the existence of such materials on, or in, the property; however, we are not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. The value estimate is based on the assumption that there is no such material on, or in, the property that would cause 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 is urged to retain an expert in this field, if desired.

- 27. The value estimate is based on the assumption that there is no contamination resulting from any drill sites or wells near or on the property if any or other previous property usage. The appraiser is not qualified to make this assessment so you may want to consult an environmental expert in this case if applicable.**

GENERAL DATA

MARKET AREA/NEIGHBORHOOD ANALYSIS

According to The Appraisal of Real Estate, 12th Edition, published by the American Institute of Real Estate Appraisers:

"A neighborhood is a group of complementary land uses, and a district has one predominant land use, whereas the market area within which a subject property competes for the attention of buyers and sellers in the real estate market is the broader term appraisers analyze."

"The term market area refers to an area where market participants live and work. Market area analysis focuses on the four forces – social, economic, governmental and environmental- that influence value."

The primary purpose of this market area analysis is to determine perceivable patterns of growth, structure, and change that may detract from or enhance property values. The Permian Basin spans approximately 250 miles by 300 miles from West Texas to Southeastern New Mexico. Many people refer to the Midland/Odessa area, the major cities of the Permian Basin, as the Petroplex. These two cities are considered the hub of the region. They are located approximately equidistant between Fort Worth, Texas and El Paso, Texas. A well-developed transportation system links Midland with other major cities in the nation. Midland is intersected by both State Highway 349 and 158, major north-south routes, and Interstate 20, one of the primary east-west routes of the interstate highway system. Interstate 20 links Savannah, Georgia with Los Angeles, California and serves Odessa as well. Two other highways join Midland and Odessa: U.S. Highway 80 is a four-lane highway connecting the central business districts of the two cities, while State Highway 191, completed in 1984, links the northern portions of Odessa and Midland. McCamey is situated 56 miles SE of Odessa. McCamey is part of the Permian Basin. Highway 385 is a main traffic artery bringing traffic from the north and south through West Texas. State Highway 385 connects McCamey to Crane, Odessa (intersecting with Interstate 20), Andrews, and Seminole to the North and to Ft Stockton, Interstate 10 and on south to Big Bend. Hwy 67 is another main traffic artery in McCamey connecting the city east to west. Hwy 67 merges with Hwy 385 to the west connecting to Interstate 10 then continues on through Fort Stockton, Alpine, Marfa, then south to Ojinaga, Mexico. From McCamey heading East on Hwy 67, the highway connects McCamey to Ranking, Big Lake on to San Angelo, Texas and beyond.

McCamey has some new development over the last several years due to the incorporation of Wind and Solar into the energy sector and continues Oil Field related Businesses. McCamey has a school system and hospital located in the city. It is home to

the Mendoza Trail Museum and Adrian House along the Pecos and Mendoza Trails. The Railroad goes through the city and there is an airstrip. The city was established in 1925 named for a wildcatter George B McCamey. His discovery of a flowing well started an oil boom in McCamey. Some of the entertainment and things to do in McCamey rely on the Sports and the Fine Arts activities from the schools. The City of McCamey Website claims McCamey the Wind Energy Capital of Texas. The McCamey Chamber of Commerce organizes an Annual Wind energy Capital of Texas Cook-off and Festival. Additionally, McCamey recently had the 2021 Upton County Junior Livestock Show. McCamey Chamber Website says the closest major shopping center is located in Odessa, an hour away. The larger market area includes both Odessa and Midland and the area between the cities particularly on the connecting traffic arteries. Residents and visitors alike can spend their leisure time attending one of the many concerts or events at the Wagner Noel Performing Arts Center, watching a AA baseball game at the Rockhound's Security Bank Stadium, attending the Jackalopes hockey game at the Ector County Coliseum, cheering on high school football under the "Friday Night Lights" at the Grande or Ratliff Stadiums, attending a party or concert at Horseshoe Arena or La Hacienda Events Center, or visiting the Petroleum Museum, Museum of the Southwest, or George Bush childhood home. Both hub cities have new convention centers to bring in even more events and conferences. Many activities and events are scheduled in the Petroplex every weekend and even some weekdays.

The population in McCamey, according to the City of McCamey website is currently 1,887 people with a median income in McCamey of \$43,500. The Permian Basin is home to many young professionals looking to begin a career or grow a business of their own. The median age person in McCamey is 33. However, according to the McCamey Economic Development Corporation website, the population is 2,451 with a median income of \$51,759. The Median home value according to mccameyedc.com is \$93,067.

The Permian Basin market area is ever changing with sometimes unpredictable patterns in oil production causing some fluctuation in property values. The local market has indicated extreme measures of growth through an oilfield boom starting around 2012. The price per barrel of oil maxed out around \$155.00 in June 2014. However, a steady decline started around October of 2014 but futures closed higher December 10, 2014. At the beginning of 2015, the price per barrel was around \$55.00. By June 19, 2015 the price was around \$63.00. Then, there was a decline continuing until around January of 2016 when prices settled below \$30.00 a barrel according to a Wall Street Journal article dated January 15, 2016. However, around October of 2016, prices slowly increased. During March and April of 2017, the crude oil prices closed around \$50.00 up to \$56.00 per barrel, similar to prices in the middle of 2015. Continuing through the end of 2017 the value continued to remain in that range. MSN news reported that oil jumped 2 percent to more than a 3-year high on January 9, 2018 to a U.S. crude futures price of \$63.19 a

barrel the highest level since December 10, 2014 when they hit \$63.43. The average closing price for crude oil was \$65.23 in 2018. In 2019 the average closing price was \$56.99. Oil barrel prices fluctuated in 2019 between ~\$50 & ~\$60/barrel, but continued to slowly decline in early 2020, dropping below \$20 in March 2020, and below \$0 in April 2020. The average closing price in 2020 was \$39.68. Barrel prices have since increased to around \$45 again and even higher up to \$53.58 so far in 2021. Between oil, wind and solar, McCamey is building on the past and the future of the energy sector.

The subject property is located in McCamey on S Hwy 385 just south of town. The immediate subject neighborhood boundaries are the entire city of McCamey and the businesses outside the city limits. Residential homes vary from very old to very new along with manufactured housing and RV parks that make up the one-unit housing. Other land use consists of well sites, parks, schools fields and vacant land.

For more demographic, economic, and geographic information for the area refer to the following websites: <https://mccameychamberofcommerce.com/> and <https://www.mccameyedc.com/>

Neighborhood Map

Borrower	Ali, George						
Property Address	1103 US Highway 385 S						
City	McCamey	County	Upton	State	TX	Zip Code	79752
Lender/Client	Atlantic Union						



SUBJECT PROPERTY ANALYSIS

SITE ANALYSIS

Location

1019 H7TC BLK 35 SEC 64 1 AC PT E2NW4SE4SW4 Upton County, Texas.

1103 S Hwy 385
McCamey, TX 79752

Size and Configuration

The subject is a rectangular shaped tract of land containing 1 acre 43,560 square feet on the west side of Hwy 385. Primary access is provided from the highway to get to the RV sites, and the commercial buildings.

Topography/Drainage

The topography of the property appears to be basically level; however, there appears to be enough slope to allow for adequate water drainage.

Soil and Subsoil Conditions

The appraiser was not furnished a soil or subsoil survey; however, it is assumed that the soil and subsoil conditions are typical of the West Texas Area and will not require excess footings and/or foundations. The appraiser, however, is not qualified to detect any defective condition, so the client is urged to retain an expert in the field if desired.

Zoning

The property is located outside of the city limits of McCamey. Therefore, the property is not regulated by zoning ordinances.

Property Taxes

The Property is subject to 2020 taxes by Upton County 0.26000, Upton County Water District .003441, McCamey Independent School District 1.15560, and McCamey Hospital District 0.643041 and McCamey Emergency District @ .053048. The 2020 combined tax rate for these authorities is \$2.11513. With the current rate and the existing assessed value of the property \$34,750, the current tax assessment is approximately \$735.01. With the market value state in the report, the taxes would be approximately \$4,336.02.

Flood Plain

According to the Federal Emergency Management website, there is no available data and No FIRMS for this community.

https://www.google.com/search?q=FEMA+Flood+zone+McCamey%2C+TX&rlz=1C1JZAP_en&oq=FEMA+Flood+zone+McCamey%2C+TX&aqs=chrome..69i57.16269j1j15&sourceid=chrome&ie=UTF-8

For an exact determination of the flood status of this property, contact the Floodplain Management Coordinator for the City of Odessa and Upton County Texas.

Utilities and Public Services

<u>Utilities/Services</u>	<u>Provided By</u>
Electricity	Oncor
Natural Gas	Texas Gas, Service Company
Police and Fire Protection	City of McCamey and Volunteer Fire Department and Upton County Sheriff's Department
Water and Sewer	City Water and Septic Tanks

Easements and Encroachments

Upon inspection of the property, there appears to be no adverse easements or encroachments, which would affect the marketability or stated value of the property. The client is urged to retain a licensed surveyor/engineer to verify this summary if necessary.

Subject Property Development

The subject property consists of 2 commercial buildings, a storage area, 2 covered patios and a covered deck, an open outdoor stage, and 6 RV sites. There are no leases on the property. Subject land size is 1 acre noted on the Upton County Appraisal District site. The functioning commercial building is a bar and grill and a former nightclub. This building is in average condition with several recent upgrades. The larger commercial building is in fair to poor condition. It is not usable at this time. What remains of the building is some concrete block exterior walls and only some metal purlins and rafters remaining for a skeleton roofing system.

The property is mostly covered in caliche for drives and parking. There is minimal landscaping. There are 3 septic tanks on the property. RV surfacing is also a compacted gravel, dirt or caliche type surfacing. The site has limited fencing.

Summary and Conclusion

The subject site contains good accessibility, view and exposure with location on S Highway 385 McCamey, Texas.

OWNERSHIP/SALES HISTORY

According to the Upton County Appraisal District, current owner of record is Wash That Baby LLC as recorded in Volume 959, Page 181 with a deed date of 1/8/2016. Since that date, a Contract of Deed was filed by Wash That Baby LLC (Melanie Spratt) Grantor to Grantee Alibuck Enterprise LTD as recorded in Volume 1093 page 509 with an instrument date of 10/23/2017. In addition, a Contract was signed February 14, 2020 as recorded in Volume 1095 Pg 136 from Grantor Melanie Spratt to George Ali allowing him to sell or refinance the property he is purchasing from her under the Contract for Deed dated October 23, 2017. The property is currently listed for sale as of November 20, 2020 for \$319,000.

INSPECTION ADVISORY: The subject property was viewed by the appraiser for valuation purposes only. No on-site inspection has been made of the structural systems of the property. This appraiser is not licensed in any of the trade fields; plumbing, electrical, air conditioning or heating, and is not a professional engineer structural or otherwise, nor is s/he licensed to conduct inspections and this appraiser assumes NO liability as to the proper functioning/non-functioning of any of the trade field items noted. As this appraiser is NOT a licensed engineer, structural or otherwise and is not licensed as a inspector, I assume NO liability as to the structural soundness of the dwelling or foundation of the subject dwelling. Some federal agencies or lending institutions may require checking of items or systems noted as a part of the appraisal report. NOTE: This appraiser is licensed as State Certified General Real Estate Appraiser and this appraisal is a visual inspection of the general condition of the subject property to determine the estimated reasonable market value of the subject property and this appraiser assumes NO liability for any checked/unchecked or un-noted items for any trade/occupation/profession for which this appraiser is not licensed. Any questions relating to any of the above noted trades or engineering professions should be directed to the appropriate licensed trade/engineering professional or home inspection service. For this reason, the appraiser recommends that a professional inspection (and/or environmental inspection) be obtained prior to the transfer of any interest in a property. The appraisal does not guarantee that the property is free of defects or environmental problems (including mold or other unseen contamination). Additionally, if prospective purchasers or lenders have any concerns in regards to zoning, encroachments, off-site factors or other similar factors, they should contact experts in those fields. Referrals are

readily available from local realtors, lenders, title companies and the library.

In addition, appraiser recommends a roof inspection to be sure the roof is insurable as appraiser is not a roofing expert and appraisers are only required to view the roof from the exterior ground level. Secondly, appraiser recommends a termite inspection as appraiser is not an expert or qualified in entomology or the effects of specific insect damage.

COVID-19 VIRUS DISCLOSURE: As of effective date, the continued long-term impact on the market from Covid-19 virus is unknown; however, it is reasonable to assume that the current restrictions in market activity due to the virus will extend marketing times beyond the current levels. This assumption has been taken into consideration with regards to the estimate of reasonable exposure time. Depending on economic factors including unemployment resulting from virus quarantine guidelines and low oil barrel prices, a significant change in sale prices and market activity is possible however not certain. Oil barrel prices fluctuated in 2019 between ~\$50 & ~\$60/barrel, but continued to slowly decline in early 2020, dropping below \$20 in March 2020, and below \$0 in April 2020. Barrel prices have since increased to around \$50 again. The opinions in this report are based on data available to appraiser on the effective date of the report. No analyses or opinions in this appraisal should be construed as predictions of future market conditions or value.

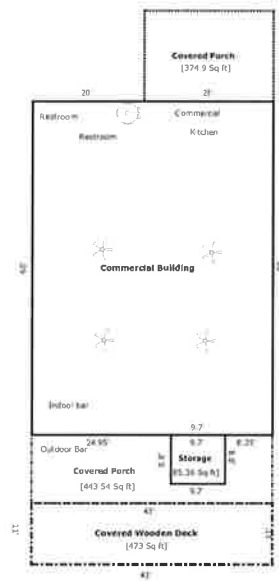
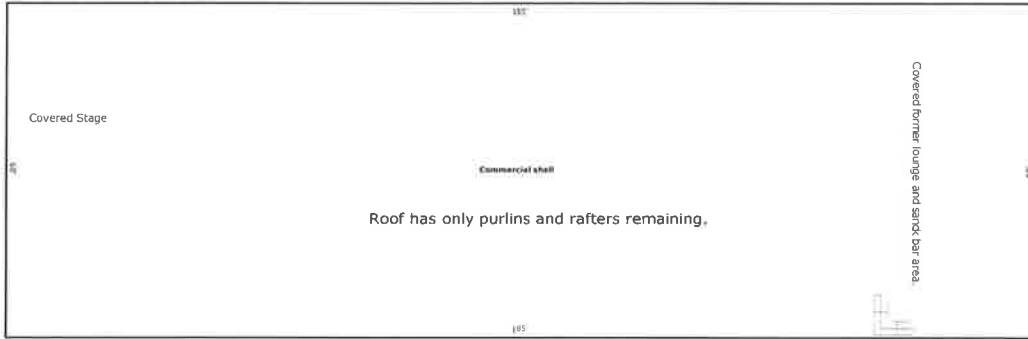
Subject Aerial Map

Borrower	Ali, George						
Property Address	1103 US Highway 385 S						
City	McCamey	County	Upton	State	TX	Zip Code	79752
Lender/Client	Atlantic Union						



Building Sketch

Borrower	Ali, George		
Property Address	1103 US Highway 385 S		
City	McCamey	County	Upton
		State	TX
Lender/Client	Atlantic Union	Zip Code	79752



TOTAL Sketch by a la mode, Inc.

Area Calculations Summary

Living Area	Calculation Details	
Commercial Building	2580 Sq ft	43 × 60 = 2580
Commercial shell	11100 Sq ft	60 × 185 = 11100
Total Living Area (Rounded):	13680 Sq ft	
Non-living Area		
Covered Wooden Deck	473 Sq ft	43 × 11 = 473
Covered Porch	374.9 Sq ft	23 × 16.3 = 374.9
Storage	85.36 Sq ft	9.7 × 8.8 = 85.36
Covered Porch	443.54 Sq ft	43 × 3.5 = 150.5 24.95 × 8.8 = 219.56 8.35 × 8.8 = 73.48

HIGHEST AND BEST USE/MARKET ANALYSIS

Highest and best use is defined by The Appraisal of Real Estate, 12th Edition, American Institute of Real Estate Appraisers, as:

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

Because the presence of improvements can limit a parcel of land's possible uses, highest and best use is determined separately for the land as vacant and available to be put to its highest and best use, and for the property as improved. The highest and best use of the land as vacant and available for use may be different from the highest and best use of the improved property. This will occur when existing improvements create value in excess of the land alone, but do not add maximum value since the improvements are not the most beneficial use.

Whether vacant or improved, the highest and best use of land must meet the following four criteria:

- 1) Physically Possible: The uses, which are physically possible to place on the site in question.
- 2) Legally Permissible: The uses that are permitted by the current zoning and any deed restrictions currently on the site in question.
- 3) Financially Feasible: Any possible and permissible use that will produce a net return to the land, and therefore an owner of the site.
- 4) Maximally Productive: The feasible use that will produce the greatest net return or highest present worth to the land.

Site As Vacant

The Highest and Best Use Analysis of the subject site, as vacant begins by considering the various physical characteristics. Uses might be limited by physical attributes such as size, frontage, topography, soil and subsoil conditions and utility availability. Each factor can limit the possible uses for the site. The subject site contains approximately 1.00 AC or 43,560 square feet on the west side of S Hwy 385. The topography and the soil and

subsoil conditions appear to be adequate. In addition, the site contains access to all private utilities. The subject property appears to be of sufficient size and shape to accommodate a wide range of possible uses.

Secondly, the use must be legally permissible. Zoning, deed restriction, building codes, and environmental regulations are all legal restrictions, which may limit the site's highest and best use. As stated previously, the subject is located in Upton County, Texas and is not subject to city zoning ordinances.

When considering financial feasibility, supply and demand factors are major determinants. As described in the Neighborhood Analysis section, the subject's defined neighborhood contains a variety of developments to include the commercial and industrial development, vacant land and pastureland with some residential. The subject is utilized as a Bar and Grill, and RV Park. Demand for this type of space or any space at this present time is uncertain. There is only one other bar in the town. Therefore, it is assumed that this utilization is one of the uses that is considered at least average at this time.

Although the subject site legally and physically allows for the development of a wide variety of utilizations, only those which produce income and/or a return ample to fulfill the requirements of operating expenses, financial expenses, and capital amortization are regarded. Subject's location affords the site good accessibility, view and exposure. Therefore, the ideal use of the property would be one in conjunction with demand in the surrounding. The most plausible form of utilization would be a commercial utilization such as subject.

Site As Improved

The four criteria previously mentioned must also be met in order for the site's present improvements to be representative of the highest and best use.

The subject site contains 2 commercial buildings, one which is not usable, and 6 RV sites. This is physically possible due to the size and shape of the land. It is also believed to be legally permissible according to current use. In addition, the improvements are situated in a manner, which will allow for good ingress/egress, the site contains adequate parking, and provides for good accessibility for a multiple family utilization and accessory buildings. There are no known legally permissible uses, which would economically justify removal of the existing improvements, although the dilapidated building needs to be removed as it currently does not have any contributory value. Beyond that, the rest of the current improvements are considered to be the highest and best use of the site as improved.

SUBJECT PROPERTY VALUATION

VALUATION PROCESS

As previously mentioned, two approaches to value will be used in order to obtain a value estimate for the subject property.

COST APPROACH TO VALUE

The Cost Approach is based upon the Principle of Substitution, which states that a rational buyer will pay no more for a property than that amount for which he can obtain a comparable site and construct improvements of equal desirability and utility, assuming no undue delay. This approach to value considered five basic steps.

1. The estimate of land value, as if vacant.
2. The estimate of the current cost of reproducing or replacing the existing improvements.
3. The estimate of accrued depreciation from all causes.
4. Deduct total accrued depreciation from the cost new estimate to arrive at a depreciated value of the improvements.
5. The final step is the addition of the land value to the contributory value of the improvements in order to arrive at the indicated value of the entire property.

SALES COMPARISON APPROACH

When adequate historical market data pertaining to properties similar to subject is available, the Sales Comparison Approach can be very reliable. The Appraiser must do five things in order to apply this approach:

1. Obtain market information on sales transactions, listings, and offerings to purchase properties similar to the subject property.
2. Verify the data obtained to assure its correctness and acquire the terms of sale to see that they reflect an arm's length transaction.
3. Analyze each of the comparable properties important characteristics with the corresponding ones of the subject property in order to derive the appropriate

elements of comparison (e.g. time, location, and other characteristics – physical and economical).

4. Use the elements of comparison abstracted in the previous step in order to distinguish the differences between the subject property and the comparable sale properties and to see their effect on the sales price.
5. Reconcile the value indications produced by the comparison into a single estimate of value or a range of values for the property as a whole.

SALES COMPARASON APPROACH- LAND VALUE ONLY

The Sales Comparison Approach will be used to estimate the subject property as if vacant. The following sales were the only ones available over the past several years in the immediate and surrounding areas and have been employed in ascertaining the land value estimate.

LAND SALE NUMBER 1



Location: 219 W 1st Lots 17-19 Block 5 Original Town & 316 W 1st Lots 5-12, 312 W 2nd Lot 15-18, 21-24 Block 11 Original Town; 200 W 1st St Lots 1-6 Blk 12 Original town; 200 W 3rd Lots 1-18 Blk 21 Original Town; South 80 ft of lots 19-24 Blk 21 Original Town

Legal: Lots 17-19 Block 5 Original Town & Lots 5-12, 15-18, 21-24 Block 11 Original Town; Lots 1-6 Blk 12 Original town; Lots 1-18 Blk 21 Original Town; South 80 ft of lots 19-24 Blk 21 Original Town

Date of Sale: December 23, 2019

Recorded: Volume 1091 Pg. 391

Grantor: Leon Patrick

Grantee: McCamey Properties LLC
Consideration: \$950,000 (subtract the improvements to get land value)
Terms: \$100,000 cash and \$850,000 Loan from Seller
Cash Equivalent Price: \$341,800
Unit Price: \$92,378/AC
Size: 3.7 AC (measured on GIS maps as there were no other sources)
Zoning: Commercial
Comments: Deed of Trust Terms Original principal amount: \$850,000 with Lender Leon Patrick, maturity date October 1, 2024. Terms of payment as provided in the promissory note. The debt is secured both by the deed of trust and by a vendor's lien on the Property. Price Included personal property as listed: Total \$608,200

76 RV spots valued at \$1500 ea	\$114,000
8 cabins x \$30,000 each	\$240,000
Laundry facility	\$100,000
Restroom and rec center	\$50,000
Pavilion with picnic tables	\$35,000
On site Storage Units	\$40,000
Garage with 12'x 16' OH door	\$26,000
Sea Container 8.5' x 20'	\$3,200

Note: Leon Patrick valued these RV spots at \$1500 each for the sale. Keep in mind that he had probably already recouped much of the entrepreneurial profit. Also, the more you do of something the lower price per unit. Another developer in the area quoted a developer average of \$12,000 per RV site which includes the electrical, water, high speed internet and the caliche pad sites.

LAND SALE NUMBER 2



Location:	N Burlison; NE Corner of E 1st & N Burlison
Legal:	Lots 1-24 Blk 2 Lots 1-24 Blk 3
Date of Sale:	October 2, 2018
Recorded:	Volume 1043 Pg. 93
Grantor:	Texcal Investment LLC
Grantee:	David Vinson MD/Michael Shane Everitt
Consideration:	\$75,000
Terms:	Cash
Unit Price:	\$16,667
Size:	(660 x 300) 4.5 acres
Zoning:	Commercial
Comments:	Parcel ID: 1452 RV Park Currently almost empty

LAND SALE NUMBER 3



Location: 100 E 21st Crane Texas
Legal: Lot 25 Blk 2 Replat Sandy Acres Vacant Hwy 385 FF
Date of Sale: June 7, 2019
Recorded: Volume 630 Pg. 158
Grantor: Leather Neck Oilfield Services
Grantee: Blake E and Tammie K Boothe
Consideration: \$100,000
Terms: \$Cash to Seller
Unit Price: \$76,923/AC
Size: 1.3 Acres
Zoning: No zoning
Comments: Plat Cabinet 1 pg 67. This property has frontage on Hwy 385 north of the subject property also at the edge of development like subject.

LAND SALE NUMBER 4



Location: 674 N Gaston Dr. Crane, TX 79731
Legal: 0.595 ACS E/Pt of 51.16 AC TRW/PT SEC 215 Blk F AB
13CCSD&RGNG FILE #46562 & 47092
Date of Sale: April 11, 2019
Recorded: Vol 627 Pg 608
Grantor: John Berger
Grantee: Jesus Martinez
Consideration: \$150,000
Terms: Cash to Seller
Unit Price: \$252,100/AC
Size: 0..595 Acres
Zoning: None
Comments: Gaston Drive is the name of Highway 385 through Crane. Property had a metal building with a yard surrounded by chain link fencing across from the airport on Hwy 385. Property was sold as-is and didn't have HVAC. Original List Price was \$150,000. DOM 11. The improvements were subsequently demolished and this picture is of the new building. Subtracting an estimated demolition cost of \$15,000 the price per acre is adjusted to \$237,100.

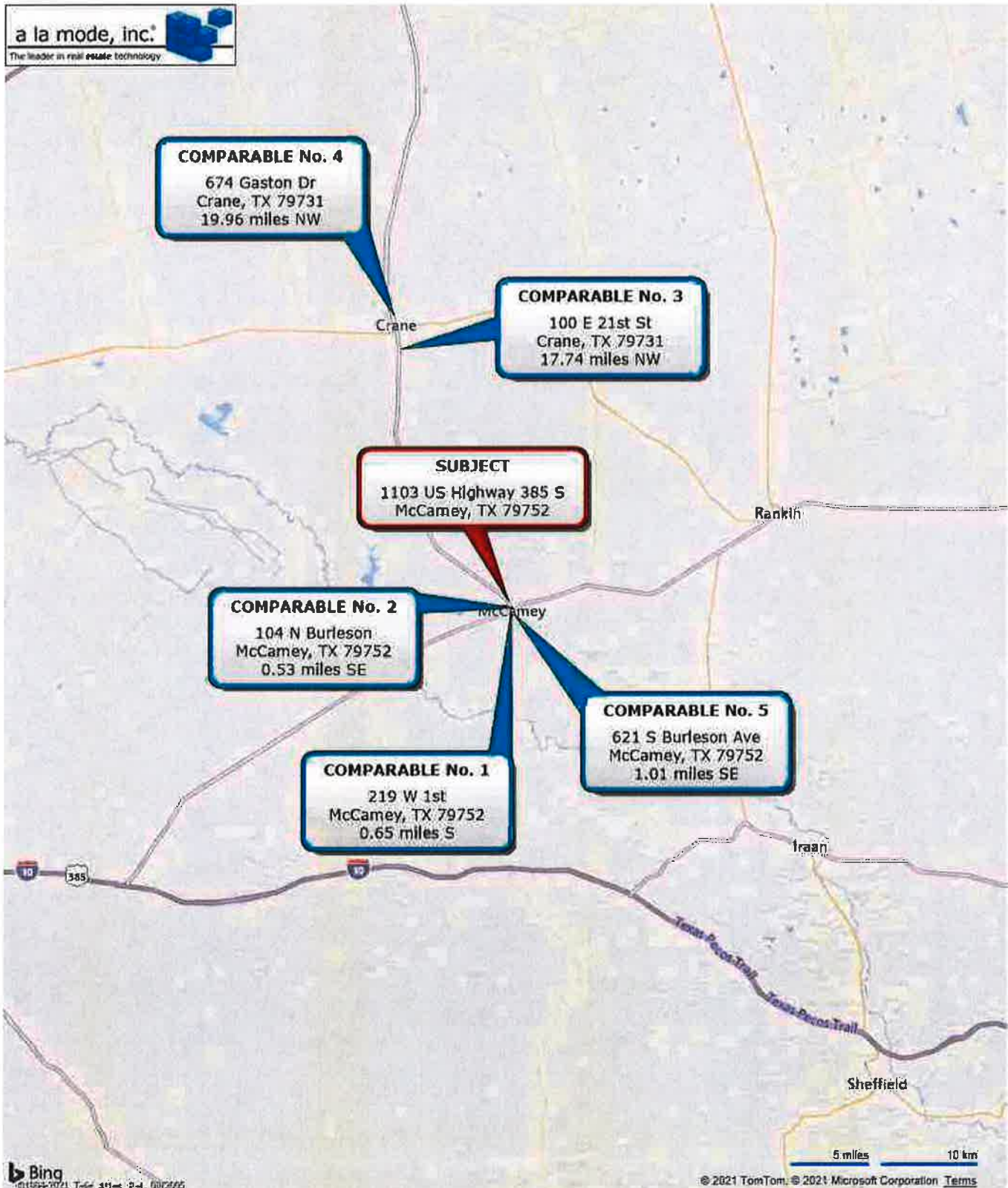
LAND SALE NUMBER 5 Under Contract



Location: 621 S. Burleson
Legal: S/50' of Lots 13-17, all of Lot 18 of Block 55, Original Town
McCamey, Upton Co. TX
Date of Sale: Pending February
Recorded: Not yet recorded
Grantor: Mane Depot
Grantee: McCamey Economic Development Corp
Consideration: \$25,000
Terms: Cash to Seller
Unit Price: \$104,167/AC
Size: 0.24 Acres
Zoning: None
Comments: Pending Sale projected closing in February. NE Corner of
East Seventh and South Burleson. Parcel # 1891.

Land Sales Map

Borrower	Ali, George				
Property Address	1103 US Highway 385 S				
City	McCamey	County	Upton	State	TX Zip Code 79752
Lender/Client	Atlantic Union				



LAND SALES SUMMARY CHART						
Sale No.	Date of Sale	Land Size / AC	Overall Location	Zoning	Comer	Price/AC
1	12/23 2019	3.7AC	Slightly Superior	City	Yes	\$92,378
2	10/2 2018	4.5 AC	Slightly Superior	City	Yes	\$16,667
3	6/27 2019	1.3 AC	Similar	None	Yes	\$76,923
4	4/11 2019	.595 AC	Slightly Superior	None	No	\$237,100
5	U/C	0.24 AC	Superior	City	Yes	\$104,167
Subj	Current	1.00 AC		None	No	

Analysis of the Sales

These land sales are the best available arm's length sales in the area. Many of the sales in the area are either swapping of land, partnering with someone who already had the land in their family in order to develop it or even land leases for a large retail chain store. Sale No. 1 is a sale of several different lots of land near each other developed by the seller to address the housing shortage in the area during the oil boom. Assembling all of these lots over about 3 streets add up to make the land size shown. This property begins near the intersection of the main highways. This area and the City of McCamey offices are about the middle of town. Sale No. 2 was a land sale that was totally undeveloped. It is located a few blocks north of the middle of town area. The developer had to do the entire infrastructure on the land in order to convert it into what it is used for now which is also an RV park with minimal amenities. Sale No. 3 is located on the outskirts south of Crane Texas also with frontage on Highway 385 and has city water just like subject does. This property is located 19 miles north of subject. It is similarly situated to Crane as subject is to McCamey. Sale No. 4 is located on the North side of Crane across from the airport with other light industrial utilizations before you get the the actual city of Crane. The sale was for the purchase of the land with the location on Hwy 385 as the improvements were demolished and then a new building constructed. Under Contract listing No. 5 is a very small parcel of 5 partial lots and 1 full lot on S Burlison (Hwy 305) close to the City of McCamey building. Subject is located about a mile north of the highway intersection on Hwy 385.

The local economy has been through periods of increase and decrease over the past several years and is currently in a period of stability in some segments and slight decline in others mostly due to Covid 19, lockdowns due to the Covid 19 and possibly the political climate over the last year. The oil industry weighs heavily on the local economy. Texas drilling isn't affected by recent executive orders like other states are due to most drilling being on private property and not federal lands. In addition as stated in the market and neighborhood analysis, McCamey has diversified its energy sector into wind and solar as well as the oil industry.

Time or Date of Sale

The first variable analyzed is time or date of sale. Neither growth nor decline is specifically evident among these sales. As a result, no specific adjustment for this factor is applied. In some ways the numbers appear to be varied for unknown reasons. Although no specific adjustment is made, it will be considered upon final valuation.

Location

Although Sales closer to the middle of town may be slightly better located, the land values seem to be more impacted by the size of the lots. Sale No's 1 & 2 are similar in size to each other and similarly located but with much different value. More than likely this is due to the lack of infrastructure for Sale No. 2. The price of Sale 3 is more than likely a closer value representation to subject land value as they are located similarly to their respective cities. Sale No. 4 is also outside the city limits of Crane on highway 385 also similarly located as subject. As previously stated, these are the best land sales found for the subject site even though they aren't as closely representative to subject as preferred.

Size

The next variable analyzed is the size of the parcels sold. Sale No.'s 1 & 2 are more similar in size to each other and similarly located. Real estate principals typically prescribe that the smaller the size of the unit the larger the price per unit or the larger the size the lower the price per unit. Comparable No. 4 is 40% smaller than subject and Under Contract property No. 5 is the smallest property and does have the highest price. Although Sale No. 1 is larger than Sale No. 3, the superior location probably explains the difference although it collectively is a larger land sale. Adjusting doesn't show a clear pattern with the use of these sales. As state previously, these are the best land sales found after much research through all data sources and weeding out non arm's length sales. Again, Sale 3 is more than likely a closer value representation to the

subject land value due to both size and locational similarities.

As the main variables of influence have been discussed, adjustments to these values do not show any true patterns. Based on these sales, the estimated range of value for the subject property is \$16,667/AC to \$237,100/AC. The largest value in McCamey has not yet closed and is so much smaller than the subject property; it is not given any consideration in the final land valuation. Sale No. 3 is the most similar to subject. Therefore, it is given the most weight in the final analysis. The other three values are also slightly considered. With appraiser's knowledge of the area and the analysis of these sales a reasonable, credible value for land in the subject's location is called at \$84,000/AC.

1.00 AC @ \$83,981/AC = \$84,000R

THE COST APPROACH

In the cost approach, the appraiser compares the cost to develop a new property or a substitute property with the same utility as the subject property. The cost approach reflects market thinking because market participants relate value to cost. Buyers tend to judge the value of an existing structure not only by considering the prices and rents of similar buildings but also by comparing the cost to create a new building with optimal physical condition and functional utility.

The subject's production cost is estimated by use of the Marshall-Swift cost estimating service in addition to consultations with local contractors. Much of the contractor's overhead and profit are included in the estimate.

Subject's reproduction cost is estimated by use of the Marshall-Swift cost estimating service in addition to some actual costs of the property development. The contractor's overhead and profit are included in the estimate. As applicable cost figures are obtained, the current and local adjustments are made.

The Calculator Costs obtained from the Marshall & Swift are averages of final costs including architects' fees and contractor's overhead and profit, sales taxes, permit fees and insurance during construction, as well as interest on interim construction financing. The appraiser deems the National Service estimation (Marshall & Swift) as credible and reasonable and will be utilized. These building costs along with Market derived site improvements are utilized in the swift estimator.

An **Entrepreneurial Profit** is added to the estimated cost new of the improvements. This profit is defined as a "*market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development*".

Consultations with developers of similar properties indicate entrepreneurial profits ranging from 5% to 20%; however, this element is for the most part captured in the contractors profit (which is included in the Marshall-Swift service) since many of the contractors in the area are also the sellers or lessors of the properties. In addition, some entrepreneurial incentive is captured in the land value as well. In addition, since the property is one year old, the entrepreneurial profit has already been realized for the most part. Considering this, an entrepreneurial profit around 15% is reasonable in this market and for this property type and expected from entrepreneurs. However, for a property of this age, the entrepreneurial profit has already been obtained. This will not

be considered for this property.

DEPRECIATION

All types of depreciation of the subject improvements were considered. Depreciation is defined by The Appraisal of Real Estate, 12th Edition, American Institute of Real Estate Appraisers, as:

"The difference between the contributory value of an improvement and its cost at the time of appraisal."

Accrued depreciation is divided into three basic categories: physical deterioration, functional obsolescence and external obsolescence. A discussion of each type of depreciation and the amount applicable to the subject property follows.

1. Physical Deterioration can be divided into curable and incurable categories.

Curable physical deterioration is described as that loss in value from cost new, which can be recovered or offset through correction, repair or replacement of the defective items causing the loss. According to The Appraisal of Real Estate

"An observed condition in the improvements to be appraised is considered curable if the cost of correcting the condition would offset by an equal or greater increase in value."

Incurable physical deterioration, on the other hand, is described as a loss in value from cost new that is not practical or currently feasible to correct. This type of deterioration is sub classified as long-lived and short-lived.

The subject property is appraised "As is", with an effective age of 20 years. Therefore, physical depreciation is applicable. Depreciation will be figured on the Marshal and Swift Software.

2. Functional Obsolescence is described by The Appraisal of Real Estate as a loss in value from cost new which is caused by a superadequacy, inadequacy, unattractive style, poor or inefficient layout or design. The design and materials used in the construction should not differ greatly from those used currently.

Curable functional obsolescence is subclassified as (a) deficiency requiring additions, (b) deficiency requiring substitution or modernization, and (c) superadequacy. The measure of curable functional obsolescence

is the cost to effect the cure.

Incurable functional obsolescence refers to a superadequacy and/or deficiency which is not economically feasible to cure.

- A deficiency is measured by the net income loss attributable to the deficiency by comparison with otherwise competitive properties. This net income loss is divided by the building capitalization rate.
- A super adequacy is measured by capitalizing the net income loss due to the super adequacy.

The subject is considered 20 years old for the usable construction improvements with no functional depreciation applicable.

3. External Obsolescence is described by The Appraisal of Real Estate as the loss in value of a property due to negative external influences, which can result from neighborhood, a property's location, or general market conditions.

Two methods can be used to measure external obsolescence. (1) capitalize the income or rent loss attributable to the negative influence, or (2) compare sales of similar properties that are subject to the negative influence and others that are not.

There is inadequate market evidence to suggest an external obsolescence factor. New construction of similar subject type properties is occurring, and industrial facilities as a whole are showing little, if any, external obsolescence. Although the property is located near the International Airport and near a pump jack, this is common for light industrial facilities in the area. The location of the airport for industrial utilizations is likely seen as a positive since noise etc. is not as relevant for commercial utilizations. With this into consideration, no external obsolescence will be applied to the subject property. The cost schedule generated by swift estimator follows. This value of the property improvements and the entrepreneurial profit is added to the estimated land value to arrive at an indication of value by the cost approach.

Commercial Estimator

1/29/2021

CoreLogic | Commercial Estimator - Report

CoreLogic - SwiftEstimator Commercial Estimator - Summary Report

General Information

Estimate ID:	1103 S Hwy 385	Date Created:	1-29-2021
Property Owner:	George Ali	Date Updated:	
Property Address:	1103 S Hwy 385	Date Calculated:	01-29-2021
	McCamey, TX 79752		
Local Multiplier:	0.9	Cost Data As Of:	using report date
Architects Fee:		Report Date:	01-2021

Section 1

Area	2580	Overall Depreciation %	
Stories in Section	1	Physical Depreciation %	
Stories in Building	1	Functional Depreciation %	
Shape	rectangular	External Depreciation %	
Perimeter	(auto-calc)		
Effective Age	22		

Occupancy Details

Occupancy	%	Class	Height	Quality
350 Restaurant	100	C	12	2.0
Occupancy Total Percentage	100			

System : HVAC (Heating)

	%/Units	Quality	Depr %	Other
603 HVAC (Heating) : Forced Air Unit	100	Occ.		1
618 HVAC (Heating) : Evaporative Cooling	100	Occ.	75	1
Total Percent for HVAC (Heating):	200			

Remark / Note Details

Remark Date :	01-29-2021	Reference Date :	01-29-2021
Note:			

Calculation Information (All Sections)

	Units	Unit Cost	Total Cost New	Less Depreciation	Total Cost Depreciated
Basic Structure					
Base Cost	2,580	\$102.62	\$264,760	\$119,142	\$145,618
Exterior Walls	2,580	\$20.10	\$51,858	\$23,336	\$28,522
Heating & Cooling	5,160	\$3.19	\$16,486	\$9,742	\$6,744
Basic Structure Cost	2,580	\$129.11	\$333,104	\$152,220	\$180,884
Less Depreciation					
Physical & Functional	45.7%			\$152,220	\$180,884
Depreciated Cost	2,580	\$70.11		\$152,220	\$180,884

Cost data by CoreLogic, Inc.

Except for items and costs listed under ♦Addition Details, ♦ this SwiftEstimator report has been produced utilizing current cost data and is in compliance with the Marshall & Swift Licensed User Certificate. This report authenticates the user as a current Marshall & Swift user.



COST APPROACH SCHEDULE

The costs are as obtained from the Swift Estimator Online service along with site improvement actual costs when applicable. To this is added the land value.

TOTAL REPRODUCTION COST NEW:		\$333,104
Total Accrued Depreciation:	(\$152,220)	
Total Value:		\$180,884
Plus, Estimated Land Value (via Sales Comparison Approach):	<u>\$ 84,000</u>	

**SUBJECT PROPERTY
VALUE INDICATION VIA COST APPROACH: \$264,884**

Rounded To: \$265,000

Upgrades since purchase of the property	
New patio floor	\$5,000
New exterior paint	\$1,500
Interior paint and ceiling repair	\$800
Interior paint	\$1,000
New interior wiring	\$2,200
6 new nickel ceiling Fans \$1400 / installed \$600	\$2,000
New 220 electrical outlet	\$400
New Roof and repair	\$3,700
New patio roof	\$1,200
Patio column lamps3 @ \$145 each/install \$ 400	\$835
New sewer line from building to septic	\$2,500
Repair waterline from main to building	\$600
New Hot water tank w/installation	\$550
New overall security system Vivint	\$2,200
New 6 stall Rv park w/ caliche lot upgrade including materials and labor	\$25,000
Custom Highway signage	\$15,000
Total for all repairs and improvements	\$64,485

SALES COMPARISON APPROACH

Several sales have been obtained for comparative purposes with the subject property

SALE NUMBER 1



Location: 510 S Burleson (Old Post Office)
Legal: S/65 of Lots 1-4 Block 41 Original Town of McCamey, Upton County, Texas
Date of Sale: June 25, 2020
Recorded: Vol 1106 Pg 487
Grantor: McCamey Economic Development Corporation
Grantee: Roadrunner Solar Project LLC and Enel Green Power Roadrunner Solar Project II, LLC
Consideration: \$69,000
Terms: Cash to Seller
Unit Price: \$22.39
Physical Data:
 Improvements: 2,816 SF
 Age/Condition: Unknown probably prior to 1984/+ 35 years/Fair
 Land Size: .15 Acres, called 6,490 SF
Zoning: Commercial
Comments: Old Post Office Burleson and 6th Street. Deed has the grantees as tenants in common with 50% interest each. Property ID: 1762

SALE NUMBER 2



Location: 111 E 3rd St (Benoits or Stats) Parcel # 1587
Legal: Lots 18-22 Blk 19 Original Town McCamey Upton County Texas
Date of Sale: 3/1/2017
Recorded: Volume 992 Pg. 431
Grantor: Benoits Restaurant Nicky Ray Molina
Grantee: Benoits Leon Patrick
Consideration: \$175,000
Terms: Seller Finance
Unit Price: \$54.52 per square foot
Physical Data:
 Improvements: 3,210 SF Restaurant
 Age/Condition: Built 1985/ 32 years/Average
 Land Size: .35 Acres, called 15,246 SF Measured on GIS Map Only tool available UCAD does not tell the land size.
Zoning: Commercial
Comments: This building is a restaurant commercial building.

SALE NUMBER 3 (resale of #2)



Location: 111 E 3rd St (Benoi's or Stats) Parcel # 1587
Legal: Lots 18-22 Blk 19 Original Town McCamey Upton County Texas
Date of Sale: November 21, 2018
Recorded: Volume 1048 Pg. 349
Grantor: Benoi's Leon Patrick
Grantee: Sergio Gonzales (DBA Stats)
Consideration: \$175,000
Terms: Seller Finance
Unit Price: \$54.52 per square foot
Physical Data:
 Improvements: 3,210 SF Restaurant
 Age/Condition: Built 1985/ 33 years /Average
 Land Size: .35 Acres, called 15,246 SF Measured on GIS Map Only tool available UCAD does not tell the land size.
Zoning: Commercial
Comments: This building is a former restaurant. Mr Gonzales defaulted on the loan March 2020. Property reverted back to Leon Patrick.

SALE NUMBER 4 (resale of #2 & 3)



Location: 111 E 3rd St (Benoits or Stats) Parcel # 1587
Legal: Lots18-22 Blk 19 Original Town McCamey Upton County
Texas
Date of Sale: December 31, 2020
Recorded: Volume 1118 Pg. 265
Grantor: Ivy Leon Patrick
Grantee: Gary O Bolen
Consideration: \$155,000
Terms: Seller Finance
Unit Price: \$48.29 per square foot
Physical Data:
 Improvements: 3,210 SF Restaurant
 Age/Condition: Built 1985/ 35 years /Average
 Land Size: .35 Acres, called 15,246 SF Measured on GIS Map Only tool
available UCAD does not tell the land size.
Zoning: Commercial
Comments: Mr. Patrick resold the property with a contract of deed. He
states the reason he sold it for less this time was due to he had already been paid over
half of the price by the previous sale and because of the impact of Covid 19 and
shutdowns on the restaurant business.

SALE NUMBER 5



Location: 305 N Burleson
Legal: Sec 65, Block 35 McCamey Upton County Texas
Date of Sale: September 24, 2019
Recorded: Volume 1084 Pg. 221
Grantor: Grady Bruce
Grantee: D & S Oilfield Service Inc
Consideration: \$400,000
Terms: Cash
Unit Price: \$107.53
Physical Data:
 Improvements: 2,760 SF Steel Shop B & 960 Siding bldg. = 3720sf
 Age/Condition: Unknown Before 1984
 Land Size: 7.88 Acres
Zoning: City Limits

Comments: More specifically 0273 H & TC Blk 35 Sec 65 7.88 Ace City Limits T NE4NW4, E Hwy 67. Other recordings were found for this property but were not listed on the UCAD. One was a Divorce Settlement to Vilma Rodriguez 9/23/2019 for \$800,000 which included personal property and the business interest so this value is not improvement and land only consideration. The other one was Upton Co to Bruce Grady August 2017. (Price Unknown.) This value is not verified by a close source. The City Attorney thought this was the price she heard. The subject property counting only

the smaller usable building is 16.88 but with the footprints of both buildings it is closer to 3.18. The Crane sales have higher LB like the subject based on them needing truck turning radius. Sale 1-4 are closer in size to the subject. The LB for this sale is excessive so will be adjusted to be more in line with the other data from the other sales. Assuming L /B of 16.88 like subject's one building the necessary square feet for this facility would be 62,794 SF which indicates an excess of 6.43 Acres. Assuming a land contributory value of the largest land sale above of around \$17,000 the excess land would be \$109,454. Considering this, the adjust sales price would be \$290,543 or \$78.10/SF. This will be utilized for a better comparison. *

SALE NUMBER 6



Location: 674 N Gaston Dr Crane, TX 79731
Legal: 0.595 ACS E/Pt of 51.16 AC TRW/PT SEC 215 Blk F AB
13CCSD&RGNG FILE #46562 & 47092 Crane County
Texas

Date of Sale: April 11, 2019
Recorded: Volume 627 Pg. 608
Grantor: John Berger
Grantee: Jesus Martinez
Consideration: \$150,000
Terms: Cash to Seller
Unit Price: \$93.75 per square foot

Physical Data:
 Improvements: 1,600 SF Commercial Metal building
 Age/Condition: Unknown/ Estimated prior to 1984/Average
 Land Size: .595 Acres/25,918 SF

Zoning: None

Comments: Gaston Drive is the name of Highway 385 through Crane.
Property is a metal building with a yard with chain link fencing across from the airport on Hwy 385. Property was sold as-is and didn't have HVAC. Original List Price was \$150,000. DOM 11. The improvements were subsequently demolished and this picture is of the new building. So with the building the price per square foot seems excessive

for the area. Upon interviewing people in the area in both Crane and McCamey, they seem to agree that the land on Hwy 385 is prime land and many times that is incentive for the purchases regardless of the improvements. As a result, utilizing the land value per acre found from the other Crane sale and subtracting the land value, we get the improvement value at the time of sale. Using this reasoning, we have a land value of ~\$50,000 which leaves \$100,000 for the improvements or \$62.50/SF near the date of sale. This is more in-line with the other price per square foot values found.

SALE NUMBER 7



Location: 1216 SE County Rd Crane, TX 79731
Legal: Lots 6-8 Blk 1 less S/1683 SF of lot 6 Industrial Park Crane County Texas
Date of Sale: September 26, 2019
Recorded: Volume 635 Pg. 115
Grantor: Pride Transport Services LLC
Grantee: Carrie McNeese dba McNeese Trucking
Consideration: \$150,000
Terms: Cash to Seller
Unit Price: \$54.52 per square foot
Physical Data:
 Improvements: 3,993 SF
 Age/Condition: Built 2011/ 8 years old /Average
 Land Size: 1.45 Acres/ 63,180SF
Zoning: None
Comments: Commercial property with office, shop, storage, with chain link fenced in caliche surfaced yard. Property was used as a trucking company service yard. Building is brick construction with utilities on site. (Water and Electric)Directions: SE on US-385 S/S Grant Ave toward N Grant, Turn left onto TX -329 E/E 6th ST, take a right onto SC County Rd. DOM 44 Original list price of \$245,000. MLS said .95 Acres. The Crane County Appraisal District said 1.45 Acres.

SALE NUMBER 8 Subject Purchase



Location: 1103 S Hwy 385 McCamey, TX
Legal: Blk 35, Sec 64, 1 Ac Pt E2of the NW4of the SE4 of the SW4
Upton County, Texas
Date of Sale: October 23, 2017
Recorded: Vol 1093 Pg 509
Grantor: Wash That Baby LLC (Melanie Spratt)
Grantee: Alibuck Enterprise LTD (George Ali)
Consideration: \$100,000
Terms: Seller Finance
Price per Unit: \$38.75 per square foot of the usable building
Physical Data:
 Improvements: 2,580 SF Bar and grill (UCAD has it at 2,670sf)
 Age/Condition: + 20 Years/Average
 Land Size: 1.00 Acres, called 43,560 SF

Zoning: None

Comments: Other improvements in addition to the usable building are covered front porch and Deck and a front storage room and a back covered porch with partial walls. See Ownership/Sales History.

Sales Comparison Chart						
Sale No.	Sale Date Instrument No. Vol. Pg.	Building Size/SF	Land Bldg Ratio	Effective Age/ Condition	Location	Price Per SF
1. 510 S Burlison McCamey, TX 79752	June 2020 1106/487	2,816 SF	2.3 .15AC	+35 Fair	Slightly Superior	\$22.39
2. 111 E 3 rd St McCamey, TX 79752	March 2017 992/431	3,210 SF	4.75	32 Average	Slightly Superior	\$54.52
3. 111 E 3 rd St McCamey, TX 79752	November 2018 1048/349	3,210 SF	4.75	33 Average	Slightly Superior	\$54.52
4. 111 E 3 rd St McCamey, TX 79752	December 2020 1118/265	3,210 SF	4.75	35 Average	Slightly Superior	\$48.29
5. 305 N Burlison McCamey, TX 79752	September 2019 1084/221	3,720 SF	16.88* (adj.)	+ 35 Average	Similar	\$78.10
6. 674 N Gaston Dr Crane TX 79731	April 2019 627/608	1,600 SF	16.2	+35 Fair	Superior	\$62.50
7. 1216 SE County Rd Crane, TX 79731	September 2019 635/115	3993 SF	15.82	8 years Average	Inferior	\$37.57
8. 1103 S Hwy 385	October 2017 1093/509	2,580 SF 11,100sf	16.88/ 3.18	20 years Fair to Average 32 Poor	Similar	\$38.75

Discussion (Analysis) of Improved Sales

The chart above summarizes verified pertinent sales information in the closest local market similar to the subject property that will be utilized for comparable purposes. These sales will bracket the subject size if No. 6 is included as sold. However, the building was demolished and the picture above is the new building constructed on the site. Basically, this property was purchased for the land as it is on Hwy 385 on the North end of Crane outside the city limits. These are the best available comparable sales

Analysis of Improved Sales Continued - Page 1

found to give an existing age range and condition. Appraiser was hampered by those market participants unwilling to disclose prices. Keep in mind that Texas is a non-disclosure state. Most deed records do not disclose a sales price or value. Therefore, appraiser can only obtain sales prices from sellers and buyers willing to tell an appraiser the price of the property. Appraiser examined many other sales of varying sizes, age, condition, locations, etc. and decided that the ones located closest to the subject are the most similar and the best comparable sales available instead of trying to use several other small towns in the Permian Basin. One of the main reasons for this decision is the diversification in Crane and Upton County into wind and solar energy.

The following discussion analyzes the sales regarding various elements of comparison.

Market Conditions (Time)

The local market experienced extreme measures of growth through an oilfield boom starting around 2012. The price maxed out around \$155.00 in June 2014. However a steady decline started around October of 2014. At the beginning of 2015, the price per barrel was around \$55.00. By June 19, 2015 the price was around \$63.00. Then there was a decline continuing until around January of 2016 when prices settled below \$30 a barrel according to a Wall Street Journal article dated January 15, 2016. Around October of 2016, prices slowly increased. During March and April of 2017, the crude oil prices closed around \$50.00 up to \$56.00 per barrel which was back up more like the middle of 2015. The oldest sales used above start in 2017. Prices had leveled out and McCamey began to have a housing shortage as did most of West Texas. McCamey had diversified to other energy forms of Wind and solar along with the Oil Boom that was again being experienced. As you saw in the land sales, many of the land sales were used to develop RV parks etc. Sales No. 2-4 are sales of the same property. This information may be the best indication of the market changes. Sale No. 4 was less than the two previous sales. As explained in the comments, this may have been due to the impact of Covid 19 or the fact that the seller financier has already recouped some of his money so was more willing to negotiate the price down from the previous sales prices including what he purchased the property for. Sale No. 1 also sold for a lower price than some of the other buildings. However, the closing MEDC agent involved said the building was just a shell with a new roof. Paring No. 3 to No. 4 there was an 11% decrease in price over 25 months. Prior to the middle of 2018 there had been an approximate 1% increase per month over several months. Increasing some of the sales and then decreasing again wouldn't change these values very much. Also, only one pairing isn't really enough information to ascertain a true increase or decrease in market values. As a result no adjustments will be made to any of the sales as neither steady increases or decreases in the market have been ascertainable during this time as the market hasn't had time to make reactions to the ups and downs of the last three years. Additionally phase two of a wind and solar project is

Analysis of Improved Sales Continued - Page 2

starting in February in McCamey. They are expecting to have more people move back in the area to work on this project.

Size

These sizes are mostly slightly larger than the subject property. Real estate principles typically follow the pattern of the larger the size the smaller the price per unit and the smaller the size the larger the price per unit. In relation to these comparable sales there doesn't seem to be a clear pattern. As a result, no adjustment will be made however, this factor will be considered upon final valuation.

Land to Building Ratio

The land to building ratios of the comparable sales varies from 2.3 to 92.3 with the subject's land/bldg ratio being 16.88 only counting the building in fair/average condition. Including the building in poor condition, the LB Ratio is 3.18. Sale No. 5 is out of line with both of these ratios so was adjusted accordingly as explained above. Most of the Sales 5-8 have larger ratios which is desirable for light industrial usage for truck turning radius and yard storage. In case of the subject, some of this land has been developed into RV sites after purchase. The adjustment to No. 5 is reflected in the Sales Comparison Chart.

Age/Condition

All of these comparables are commercial facilities and are of similar age and condition, although, Sale No. 7 is newer than the other properties. It appears the location of this property has the most impact on the price. Pairing Sale No. 1 with Sale No. 4 there is ~ 115% difference for the condition difference. Pairing Sale No. 4 with Sale No. 8 at time of sale (Subject has made some improvements as explained in the cost approach above after purchase.) there is 25% difference for the Fair/Avg to Average Condition. These adjustments will be applied accordingly. Sale No. 6 will not be adjusted as it is only included to bracket the subject size and also to examine for land value purposes.

Location

Although the Crane locations are farther away than appraiser prefers, they are all serving the same market area and unlike some sales in the McCamey area, these could be verified. All of these locations have oil field related development. These areas have mostly older development with varying conditions. However, there is new development near Sale No. 6 which may explain why they were willing to purchase the property and tear down the existing improvements. Basically only Sale No. 7 is not on a major

Analysis of Improved Sales Continued - Page 3

thoroughfare. Most retail, restaurant and other commercial businesses need and prefer the exposure provided by the Highway as a major thoroughfare. A 20 percent adjustment is warranted for this inferior location.

Adjustment Chart						
Sale No.	Date of Sale	Price per SF	Age/ Condition	Adjusted Price	Overall Location	Final Adjusted Price
1	6 2020	\$22.39	+115%	\$48.14	N/A	\$48.14
2	3/ 2017	\$54.52	N/A	\$54.52	N/A	\$54.52
3	11/ 2018	\$54.52	N/A	\$54.52	N/A	\$54.52
4	12 2020	\$48.29	N/A	\$48.29	N/A	\$48.29
5	9/ 2019	\$78.10	N/A	\$78.10	N/A	\$78.10
6	4/ 2019	\$62.50	N/A	\$62.50	N/A	\$62.50
7	9/ 2019	\$37.57	N/A	\$37.57	+20%	\$45.08
8	October 2017	\$38.75	+25%	\$48.44	N/A	\$48.44

The estimated range of value for the subject after this analysis is \$45.08/SF to \$78.10/SF. The highest priced sale will not be considered as the price that was obtained was from a 3rd party and is not known whether or not it is reliable although the source was correct when verified for other sales. Additionally, Sale No. 6 was included to bracket subject size on the smaller size but was torn down so isn't directly considered but was analyzed and researched for a land value on Highway 385. So this eliminates the highest values. To offset this elimination, the lowest value is also eliminated to narrow the range to now be from \$48.14 - \$54.52 the most probable value based on the preponderance of sales in the closest vicinity. (We are not considering Sale No. 5 or 6.) Based on these sales, the current market and the discussions thereof, the estimated value for the subject property is called at the higher end of the range due to its smaller size, or \$54.00/SF.

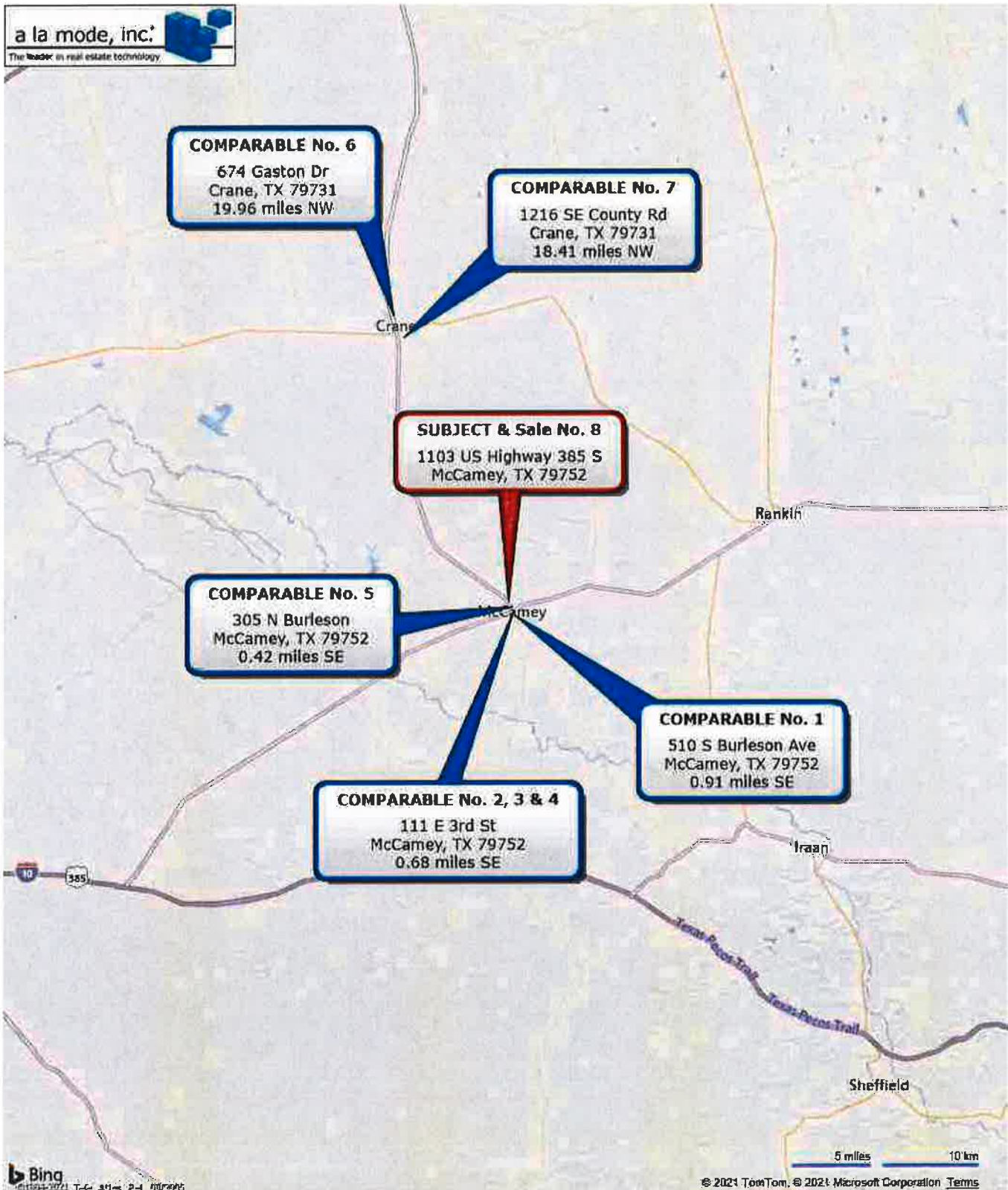
2,580 SF @ \$54.00/SF = \$139,000R

**To this value is added the contributory value of the 6 RV sites + \$25,000 cost
Or + \$50,000 via Income analysis**

**Final Value Estimate via
Sales Comparison Approach: \$164,000R up to \$189,000**

Comparable Sales Map

Borrower	Ali, George				
Property Address	1103 US Highway 385 S				
City	McCamey	County Upton	State TX	Zip Code 79752	
Lender/Client	Atlantic Union				



Information utilized for the Highest and Best Use analysis and to speculate Potential of the subject property using the (INCOME CAPITALIZATION APPROACH)

The following chart displays the significant facts regarding several RV and or mobile home parks in the Midland/Odessa/ McCamey area utilized for subject property potential purposes and to evaluate this usage for highest and best use analysis.

LEASE COMPARABLES				
Rental No.	Property	Spaces / Approx. SF / Unit	Reported Occupancy	Rate/Space Tenant Exp.
1	Midessa Oilpatch 4220 SCR 1290 Odessa, TX 79765	133 spaces	66%	\$575 plus Electricity
2.	Stanley's RV/MHP 6401 E Hwy 80 Midland, TX 79706	165 Spaces	73%	\$650 Includes all exp., Has laundry facility
3.	Palms of Paradise RV 15180 N Hollyhock Ave Gardendale, TX 79758	100	85%	\$619 & \$ 699 Includes all exp. Free Laundry
4.	RV Park Old Drive In Movie Hwy 385 McCamey TX 79752	100 spaces	40%	\$ 500 all utility dog walks RV supply store
5.	McCamey properties Corner of E 1 st and N Burleson McCamey, TX 79752	60 25 filled	41%	\$ 500 includes all utilities
6.	Leon's RV 219 W 1 st , 316 W 1 st , 312 W 2 nd , 200 W 1 st , 200 W 3 rd . McCamey, TX 79752	76 spaces 14 filled	18%	\$ 500 all utilities. Onsite laundry, showers, pavilion
7. Subject	Subject -The Hut	Currently: 6 Spaces Could demolish dilapidated building and add more RV places at least 10 more		\$450 includes all expenses.

Analysis of the Comparables

These mobile home and RV parks are a good representation of the lease space available in the local market. Currently the market is saturated with this type space. In 2017-2019 there was a huge demand for this type of space. Many in this segment believe the

demand will return. The rates are fairly similar also in all of the areas including the smaller town of McCamey. Most range from \$500 - \$699 per space. Currently subject (3 projected tenants in February) is the only \$450, but tenant pays electricity for No. 2 (and there is other income at No. 4 & 6), where the others include electricity (including subject). Typical occupancy rates were 90% - 100% during the normal course of a thriving economy. Due to the shutdowns, Covid, national election and other unusual factors, the occupancy as decreased considerably as shown. Considering these, the subject property's gross potential income is called \$450/Space/Mo. with 50% stabilized vacancy.

INCOME APPROACH SCHEDULE

Potential Gross Income:	
6 spaces @ \$450/space/Mo. Annualized: \$32,400	\$32,400
Less, Vacancy & Collection Allowance: (50%)	<u>(16,200)</u>
Effective Gross Income:	\$16,200
Less, Operating Expenses: (35%)	<u>(5,670)</u>
NET OPERATING INCOME	\$10,530

VALUATION

Net Income/Capitalization = Value

$$\$10,530/.20 = \$53,000R$$

A second method of valuing a property by the Income Approach is by means of an EGIM (effective gross income multiplier). This will be used to value the RV sites like the above schedule. The EGIM selected for use is 2.80 based on the mean and the most recent sales, the indicated value is:

\$47,000 Rounded (EGI \$16,200 x 2.90).

We now have two estimates of value by the Income Approach including the Income Capitalization approach and the EGIM methodology. Based on these two income approaches, the final value is well supported at **\$50,000** just for the current available RV sites.

Hypothetically, if the falling down building were demolished and added 10 or more RV Sites on the back ½ acre the above numbers would be as follows:

Potential Gross Income:	
16 spaces @ \$450/space/Mo. Annualized: \$86,400	\$86,400
Less, Vacancy & Collection Allowance: (50%)	<u>(43,200)</u>
Effective Gross Income:	\$43,200
Less, Operating Expenses: (35%)	<u>(15,120)</u>
NET OPERATING INCOME	\$28,080

VALUATION

Net Income/Capitalization = Value

$$\$28,080/.20 = \$140,400$$

Potential Value by the Income Approach RV sites only with addition of only 10 more spaces :

\$140,000 R

OVERALL CAPITALIZATION RATE COMPUTATION

The mobile home parks that were found in order to utilize in abstracting an overall capitalization rate for the subject property indicated a range of 9.2% to 32.80% with three of the five ranging from 17.67% - 21.59%. The rates seem high; however, these facilities have more risk associated with them due to the possible turnover rate and/or short term nature of the tenants. With this into consideration, the rate utilized on the subject property is called around 20%.

The indicated EGIMs of the mobile home parks range from 1.64 – 3.49 with the mean of 2.80. The EGIM utilized on the subject will be well supported at 2.90 placing slightly more weight on the some of the most recent sales EGIM.

EXPENSE VERIFICATION

EXPENSE VERIFICATION

Vacancy and Collection Loss – Most of the vacancies exhibited by the comparables indicated ranges from 27% to 86%. With this into consideration, the stabilized vacancy allowance considered applicable to subject is called 50%.

Operating Expenses –Discussions with other RV owner/operators indicated 35% - 50%, but some of these were older facilities/ parks. Considering this, the subject's expenses associated with ownership are called at 35% which is within the range especially for a smaller area to maintain.

RECONCILIATION AND FINAL VALUE ESTIMATE

The subject property's final estimate of Market Value is determined by the judgment of the appraisers by reconciling the differences to the values indicated by the approaches to value.

COST APPROACH TO VALUE	\$265,000
SALES COMPARISON APPROACH	\$164,000 to \$189,000
Hypothetical INCOME CAPITALIZATION APPROACH RV spaces only.	

Doesn't include the commercial owned building
Current projection: \$50,000
Adding 10 spaces \$140,000.

Many times in the appraisal of Mobile Home & Recreational Vehicle Parks, the Sales Approach to value is not considered applicable. However, it is the appraiser's opinion that the Sale Comparison Approach is applicable to the subject but will not be weighted as heavily as the Cost Approach in this analysis. Additionally, the hypothetical Income Approach does give us information about the overall value of the property that seems relevant in the discussion of the Subject's overall value as a mixed use property. Each of the approaches contains different strengths and weaknesses. The two approaches utilized along with the analysis of potential income approach value of the RV part of the subject only contain the best data available for verification from reliable sources. In relation to the salability of the property, ongoing leases which are the nature of a MHP/RVP, storage units and the commercial buildings can encumber the property as the leases typically go with the sale, if at the time of sale the rents are less than market rents. As previously stated, the value herein is only applicable as of the effective date in the report.

The Sales Approach to value can be a good approach for older properties if there are sufficient comparable sales. No properties in the area were similar to the overall property usage. The Sales Approach to value of the land also gives insight into the property value. Therefore, it was used to support the cost approach to value of the subject property to help check for reasonableness.

The Cost Approach to Value was developed due to updated wiring and plumbing, roof etc. This value is much higher than the Sales Approach to value due to several reasons including the lack of similar local improvements. The land value via the

Sales Comparison Approach is developed to complete the cost approach to Value. Upon interviews with many market participants in Crane and McCamey, Texas, the appraiser continued to hear that the land values are really high for frontage on Hwy 385 where subject is located. Even with Appraiser calling the land at a more modest price than a few of the sales and depreciating the property at its actual age, the Cost Approach to Value still came out much higher than the Sales Comparison Approach for the improvements at this time.

Based on the data employed and the reasoning utilized, the Cost Approach to Value is weighted slightly more for the final valuation especially considering the value of the land in the subject location. As a result of the research and the data analyzed and employed in the appraisal report, the value is called at:

**TWO HUNDRED FIVE THOUSAND DOLLARS
(\$205,000)**

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 limiting conditions and assumptions and are my personal, unbiased professional analyses, opinions and conclusions.

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

Our compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice ("USPAP") adopted by the Appraisal Standards Board of the Appraisal Foundation, except that the departure provision of the USPAP shall not apply to federally related transactions.

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

We have made a cursory personal inspection of the property that is the subject of this report, as well as, the market comparables listed. The appraiser is not a land, commercial building, or home inspector and this appraisal report is not an inspection, the appraiser only performed a visual observation of accessible areas and the appraisal report cannot be relied upon to disclose conditions and/ or defects in the property.

Appraiser Trainee, Drew Peden, Authorization #: TX 1342514 with an expiration date of 01/31/2023 provided assistance to the person signing and acknowledged by this report. The assistance consisted of photography, measuring, making maps, organizing the work file and other basic beginning assistance.


We currently hold an appropriate state certification allowing the performance of real estate appraisals in connection with federally related transactions in the state in which the subject property is located.

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 prospective owners or occupants of the properties in the vicinity of the property appraised.

This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

I have not performed services, as an appraiser regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

Sincerely,



Deanna Peden
State Certified General
Real Estate Appraiser
No. TX-1338135-G

ADDENDA

Certification

DEANNA HYSON PEDEN
3106 SAN JOSE DR
ODESSA, TX 79765



Certified General Real Estate Appraiser

Appraiser: **DEANNA HYSON PEDEN**

License #: **TX 1338135 G**

License Expires: **09/30/2022**

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

For additional information or to file a complaint please contact TALCB at www.talcb.texas.gov.


Chelsea Buchholtz
Commissioner

Appraisal Assignment

Date of Agreement: 1/12/21

PARTIES TO AGREEMENT:

ACI
533 Airport Boulevard, Suite 400
Burlingame, Ca 94010
1-800-INC-1721
order@appraisalcommercial.com

APPRAISER:

Ms. Deanna Peden
Deanna.basinappraisalsllc@gmail.com
(432) 3522508

Client hereby engages Appraiser to complete an appraisal assignment as follows:

PROPERTY ADDRESS

1103 385 South McCamey TX 79752

PROPERTY TYPE

Commercial

PURPOSE

Valuation

INTENDED USE

For the purpose of making lending decisions

DATE OF VALUE

Current

SPECIAL INSTRUCTION:

None

APPLICABLE REQUIREMENTS OTHER THAN THE UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE (USPAP)

None Other

SITE VISIT

Interior and exterior observation

INSPECTION DATE

TBD

VALUATION APPROACHES:

Sales comparison approach / Income approach – Direct capitalization

Note: Appraiser shall use all approaches necessary to develop a credible opinion of value.

REPORT OPTION

Certified General "AS IS" value

FORMAT

Narrative

ASSIGNEE

Atlantic Union
175 SW 7th St. Suite 1216
Miami, FL 33130

ADDITIONAL DOCUMENTATION

Awaiting

DELIVERY DATE

As agreed upon with the borrower

DELIVERY METHOD

Emailed to ACI

PAYMENT TO APPRAISER

Payment will be made by Borrower (ACI will not be responsible for payment in any way)

PAYMENT DUE DATE

N/A

WHEN APPRAISER'S OBLIGATIONS ARE COMPLETE

Appraiser's obligations pursuant to this Agreement are complete when the Appraisal Report in the form specified in this Agreement is delivered to Client pursuant to this Agreement. Appraiser agrees to be responsive to Client's legitimate inquiries regarding the contents of the report after delivery.

CONFIDENTIALITY

Appraiser shall not provide a copy of the written Appraisal Report to, or disclose the results of the appraisal prepared in accordance with this Agreement to, any party other than Client, unless Client authorizes, except as stipulated in the Confidentiality Section of the Ethics Rule of the Uniform Standards of Professional Appraisal Practice (USPAP).

CANCELLATION

No Cancellations will take place after engagement begins

Thank you,

Gary Raikhman
Appraisal Commercial, Inc. (ACI)
533 Airport Boulevard, Suite 400
Burlingame, Ca 94010
Toll Free: 1-800-INC-1721
Fax Line: 1-800-462-1721
Direct/Text: 415-691-1831

STOCK COMPANY	PRO GUARD PLATINUM POLICY DECLARATIONS
VALIDUS SPECIALTY	POLICY NUMBER: <u>REO0011009</u>
An AIG company	Prior Policy Number: <u>REO0003047</u>
<input type="checkbox"/> WESTERN WORLD INSURANCE COMPANY	<input type="checkbox"/> TUDOR INSURANCE COMPANY
	<input checked="" type="checkbox"/> STRATFORD INSURANCE COMPANY

Named Insured and Mailing Address:
 Basin Appraisals LLC and Deanna H Peden and B
 asin Commercial Appraisals, LLC

Agent/Broker #33601
Premium: \$ 1,065.00

3106 San Jose Dr
 ODESSA, TX 79765

Producer:
 Professionals' Best
 6760 University Avenue
 Suite 250
 San Diego, CA 92115

Policy Period: (Mo./Day/Yr.)
 From: 08/20/2020 To: 08/20/2021 12:01 AM, standard time at your mailing address shown above.

EXCEPT AS MAY OTHERWISE BE PROVIDED IN THE FOLLOWED POLICY, THIS POLICY MAY APPLY ONLY TO CLAIMS FIRST MADE IN ACCORDANCE WITH THE TERMS, CONDITIONS AND REQUIREMENTS OF THE FOLLOWED POLICY; AND THE LIMIT OF LIABILITY IS REDUCED AND MAY BE EXHAUSTED BY PAYMENT OF DEFENSE COSTS OR CLAIMS FEES AND EXPENSES. PLEASE READ THE FOLLOWED POLICY AND THIS POLICY CAREFULLY.

ITEM 1. PROFESSIONAL SERVICES:

Real Estate Appraisers

ERRORS AND OMISSIONS LIABILITY INSURANCE		
ITEM 2. LIMIT OF INSURANCE	Each Claim Limit \$ <u>1,000,000</u>	Aggregate Limit \$ <u>1,000,000</u>
ITEM 3. DEDUCTIBLE	Each Claim \$ <u>2,500</u>	Aggregate \$ _____
ITEM 4. RETROACTIVE DATE		<u>08/20/2016</u>
ITEM 5. PREMIUM		\$ <u>1,065.00</u>

PRO GUARD PLATINUM POLICY DECLARATIONS (continued)

ITEM 6. FORMS AND ENDORSEMENTS

Forms and Endorsements applying to this Coverage Part and made part of the Policy at time of issue:

**SEE SCHEDULE OF FORMS AND ENDORSEMENTS AND
THE INSURED'S APPLICATION FOR THIS INSURANCE.**

THESE DECLARATIONS ARE PART OF THE POLICY DECLARATIONS CONTAINING THE NAME OF THE INSURED AND THE POLICY PERIOD.

WESTERN WORLD INSURANCE GROUP

Western World Insurance Company
Tudor Insurance Company
Stratford Insurance Company

Administrative Office
300 Kimball Drive, Suite 500
Parsippany, New Jersey 07054

We will provide the insurance described in this policy in return for the premium and compliance with all applicable provisions of this policy. If required by state law, this policy shall not be valid unless countersigned by our authorized representative.


Secretary


President

Countersigned:

07/23/2020 PECKISAA

By:



Authorized Representative