

LIMESTONE APPRAISAL DISTRICT

2023-2024 REAPPRAISAL PLAN

Public Hearing Held and Plan Adopted by the Board of Directors on
September 12, 2022, as Required by Texas Property Tax Code Section
6.05(i)

Introduction

Limestone Appraisal District, hereinafter referred to as LAS, is charged with the responsibility of appraising property within Limestone County for ad valorem tax purposes for each taxing unit that imposes ad valorem taxes on property in the district. Texas Property Tax Code Section 6.01 (b).

Currently these taxing entities are:

- ❖ Limestone County
- ❖ Groesbeck Independent School District
- ❖ Mexia Independent School District
- ❖ City of Coolidge
- ❖ City of Groesbeck
- ❖ City of Tehuacana
- ❖ Emergency Service District 1 – East
- ❖ South Limestone Hospital District
- ❖ Coolidge Independent School District
- ❖
- ❖ City of Kosse
- ❖ City of Mexia
- ❖ City of Thornton
- ❖ Emergency Service District 2 - West

As well as, that portion of the following entities that fall into Limestone County:

- ❖ Axtell Independent School District
- ❖ Mt Calm Independent School District
- ❖ Wortham Independent School District
- ❖ Mart Independent School District
- ❖ Hubbard Independent School District
- ❖

LAD's performance to appraise property at its market value, is audited by the State Comptroller's property value study every two years. In an effort to perform this task, LAD will set goals and implement the ten steps for each reappraisal.

- 1) Performance Analysis
- 2) Reappraisal Decision
- 3) Analysis of Available Resources
- 4) Planning and Organization
- 5) Mass Appraisal System
- 6) Pilot Study
- 7) Data Collection
- 8) Valuation
- 9) The Mass Appraisal Report
- 10) Value Defense

Performance Analysis

A performance analysis determines whether values are equitable and consistent with the market. The primary tool for analysis is the ratio study.

In August of each year, LAD will run ratio reports on all categories of properties within the district to determine if LAD values are consistent with the market.
Appraiser, Limestone CAD

Reappraisal Decision

As required by Section 25.18 of the Property Tax Code, LAD will provide for the reappraisal of all real and personal property located within the district. It will be the plan of LAD to reappraise properties annually, although physical inspections of real and personal properties will be made at least once every three years.

Analysis of Available Resources

For reappraisal purposes, LAD will use its current staff for appraising real and personal properties.

Terri Lenamon, RPA,CTA, is the District's chief appraiser. She is the chief administrative officer of the appraisal district office. Statutory responsibilities include: discovering, listing and appraising all taxable property within the appraisal district; determining exemption and special use requests; organizing periodic reappraisals; and notifying taxpayers and taxing units of matters that affect property values; The chief appraiser will also prepare an annual budget to meet the monetary needs required in the appraisal process. She will serve as the district's bookkeeper. She will receive and process all bills for the district, handle payroll and make deposits to the district's depository. She also serves as the Records Management Officer and will be responsible for maintaining records per the districts control schedule and assisting with public records requests.

Leah Briggs, is the chief appraiser's Administrative Assistant and will be assisting with the daily operations of the district. She is registered with TDLR and working toward her RPA. Leah serves as the Exemption and Ag Clerk. She will be responsible for maintaining the homestead, disabled persons, disabled veterans, and all other applications, requesting necessary documentation to grant, deny or remove such exemptions. Leah will also be responsible for maintaining the agricultural applications and helping to verify ag use on properties. She is also learning to take over the financial records and payment of bills as well as payroll.

Michael Young, Field Appraiser, is working toward his RPA certification. He will be performing field reviews, collecting data to classify land and improvements according to the district's CAMA system. He will also verify the qualifications of parcels for open-space and wildlife management. During the appeals process, he will assist property owners with their protests and attend and assist the Chief Appraiser in ARB hearings.

Randy Slater, File Appraiser, is working toward his RPA certification and will be registered with TDLR. He will be performing field reviews, collecting data to classify land and improvements according to the district's CAMA system. He will also verify the qualifications of parcels for open-space and wildlife management. During the appeals process, he will assist property owners with their protests and attend and assist the Chief Appraiser in ARB hearings. Additionally, he will gather information and analyze cost schedules, run ratio reports and make recommendations to the chief appraiser of any adjustments. Randy will gather and enter sales information that is supplied or reported to the district and prepare the sales submission report to the State. He will check the Manufactured Housing website on a regular basis to look for homes being moved into Limestone County.

Jo Rogerson, RPA, is the personal property appraiser and will receive and review all renditions submitted by business owners. Jo will prepare cards and maps and will perform field inspections and visit businesses to verify rendition statements and help educate business owners of their responsibilities. Additionally, if data entry work is still needed, Jo will be helping with this job as well. During the Appeals process, she will assist property owners with their protests and will be available to present evidence on behalf of the district at ARB hearings.

Ricky Welch serves as the district's mapper. He will be responsible for the maintenance of the district's GIS & mapping system and will update ownership changes as they occur. He is also responsible for performing research regarding ownership issues for the district. He will update the District's online website map with BIS Services.

Lisa Pyles, Front Office Clerk, will be answering the telephone and assisting property owners with their issues when coming into the office and directing them to the proper department. Lisa is responsible for getting the mail each morning and picking up address changes from the County Tax Assessor/Collector's office. Lisa will be responsible for updating the district's website and preparing the weekly supplement reports for all entities.

Stacy Acosta is serving as the Deed Transfer Clerk. She will be responsible for ownership updates as indicated by recorded deed and probate records and will send out Buyer/Seller letters after each transaction. She will work closely with the mapper when ownership changes require a property to be divided. She will receive copies of building and utility permits and will code property for rechecks and updates. Stacy will also be maintaining the Appointment of Agents on properties. Her duties in the ARB

process includes setting hearings and readying the necessary paperwork to be presented at the hearings as well as sending orders of determination after the hearings.

All district employees will strive to assist property owners, taxing entities and the general public in an efficient and courteous manner.

LAD will contract services with **Western Appraisal LLC** for the appraisal of residential and commercial properties within Limestone County. Exhibit "A"

LAD will contract with **Pritchard and Abbott Inc.** for the appraisal of oil and gas properties, public utilities, railroads, pipelines, and other industrial properties. A separate reappraisal plan for these properties is attached on Exhibit "B"

Each year the chief appraiser will prepare a proposed operating budget to provide funds for a reappraisal. The board of directors will hold a public hearing and approve a budget before September 15th of each year. LAD will strive to work within the budget as approved by the board of directors.

The computer assisted mass appraisal (CAMA) system used by LAD will be the Orion Appraisal and Assessment package supported by Tyler Technologies Inc. For the geographic information system (GIS), LAD will use ESRI Map with BIS. LAD will continue to use aerial photos and maps obtained online as an additional tool of the reappraisal process.

LAD will make an annual review of the various forms and applications used by the district i.e., exemption forms, agricultural appraisal application forms, rendition forms, appraisal notices etc. Forms and applications will be revised when necessary to conform to changes made by the State.

LAD staff will provide general information and assistance regarding the information required on the forms and the filing deadlines for those applications.

Planning and Organization

LAD will use the following scheduled target dates for the 2023 reappraisal. Dates will be adjusted for the 2024 reappraisal.

- ❖ August 2022 Run ratio reports to determine how current appraisals compare to current sales
- ❖ August 1-April 2 Complete filed work of scheduled reappraisal & rechecks, enter all available sales information, mail updates for exemptions and ag applications
- ❖ February 2, 2023 Place notice in Journal regarding exemptions, renditions & special valuations applications
- ❖ March-April 3, 2023 Run ratio reports, update cost schedules and land pricing as indicated by reports, recalculate ag values, check modifier for Coolidge ISD and Mart ISD's market area
- ❖ April 15, 2023 Last day to file renditions
- ❖ April 17, 2023 Complete entry work
- ❖ April 17, 2023 Receive estimates form Pritchard & Abbott
- ❖ April 19-21, 2023 Notice process-get notices to print vendor and mail check for postage
- ❖ April 28, 2023 Appraisal notices in the mail, Send Notice of Protest Procedures to Groesbeck Journal
- ❖ April 30, 2023 Last day to file ag applications, remove ag on properties that have to returned applications & send owners certified letters, last day to file for Tax Abatements
- ❖ By April 30, 2023 Chief Appraiser delivers and estimate of taxable value to all taxing entities
- ❖ May - 2023 Personal Property Notice file to print vendor
- ❖ By May 15, 2023 Transfer records to ARB
- ❖ June 1, 2023 Last day to file protest with ARB (Real Property)
- ❖ June - 2023 Last day to file protest with ARB (Personal Property)
- ❖ June - 2023 Last day to file protest with ARB (Mineral/Industrial Property)
- ❖ June 26-30, 2023 ARB Hearings-Real, Personal and Mineral
- ❖ July 7, 2023 Certified values from Pritchard and Abbott
- ❖ Before July 20, 2023 ARB approved records (last day of hearings in June)
- ❖ By July 25, 2023 Deadline to certify roll to taxing entities
- ❖ August 2023 Run ratio reports

MASS APPRAISAL SYSTEM DEVELOPMENT

Properties scheduled for reappraisal will be identified by a physical inspection or by other reliable means of identification, including deeds or other legal documentation, aerial photographs, land-based photographs, surveys, maps, building permits, utility hookups, septic tank permits, listing of commercial vehicles and renditions.

The district will strive to maximize the efficiency of the field review by sorting the work in the field mobile device or appraisal cards in a loop/route order. During field reviews of property, the appraiser will update the relevant characteristics of each property and will look for changes in the condition of the property, i.e., fire damage, remodeling, additions, demolitions, or physical deterioration of the improvements. As new improvements are discovered, they will be inspected, measured, classified, and added to the appraisal roll.

The area of the county to be reappraised in 2023 is Coolidge ISD and that portion of the Mt Calm ISD, Hubbard ISD, Axtell ISD and Mart ISD that falls within Limestone County, as well as county wide re-checks. The area of the county to be reappraised in 2022 is Groesbeck ISD and county wide re-checks. In 2023, reappraisal will cover of all Mexia ISD properties and that portion of Wortham ISD that falls with Limestone County and county wide re-checks.

This plan allows for the physical inspection of all properties within the district at least once every three years. Attached is color coded map illustrating the area to be covered in the reappraisal plan.

Because Limestone County is a relatively homogeneous area, the market areas within Limestone County are defined by the individual school districts, those being Axtell ISD, Hubbard ISD, Mt. Calm ISD, Wortham ISD, Coolidge ISD, Mexia ISD, Groesbeck ISD, and additionally Lake Limestone properties.

During field reviews, the appraiser will determine property characteristics that affect value, including:

- 1) Location and market area of the property
- 2) Physical attributes of the property, such as size, age and condition
- 3) Any legal and economic attributes, and
- 4) Any easements, covenants, leases, reservations, contracts, declarations, special assessments, ordinances, or legal restrictions.

Rural properties – Because the market areas in Limestone County are the individual school districts and Lake Limestone properties, the appraiser would first make that determination. Land tract size would then be determined and verified, whether the property is part of a larger tract or should be split from a larger tract. The appraiser will then apply the appropriate rural land pricing code based on the number of acres in the property. The appraiser will then verify or class the land type as native pasture, improved pasture, wooded, dry cropland, orchard, or minimal use.

Additionally, the use of the property is determined. If the property is receiving the special agricultural valuation, the appraiser will verify the use.

The appraiser will check for any improvements to the property such as homes, barns, out buildings and any other improvements that would affect the value of the property. These will be appraised using the appropriate cost schedule. If the rural property is located in the market area of Coolidge ISD or Mart ISD, the appraiser will verify that the area factor has been applied to the property.

Urban lots/acreage – The following will be determined by the appraiser:

- 1) Residential or commercial use
- 2) Land price method-Front foot, square foot or price per acre
- 3) Size
- 4) Unit price
- 5) Functional, Economic or market area adjustment

Residential, Outbuildings, Barns, Misc. Improvements – The following will be determined by the appraiser:

- 1) Class
- 2) Area
- 3) Unit Price
- 4) Actual & Effective Age
- 5) Condition
- 6) Percent good
- 7) Physical, functional, or economic factor to be applied

Commercial Buildings or Improvements – Using schedules as developed by Eagle Property Tax Appraisal & Consulting Inc., the following will be determined by the appraiser:

- 1) Class
- 2) Area
- 3) Unit Price
- 4) Actual & Effective Age
- 5) Condition
- 6) Percent Good
- 7) Physical, functional, or economic factors to be applied

Market Adjustment

Market adjustment factors are developed from appraisal statistics provided from ratio studies and are used to ensure that estimated values are consistent with the market. The district's primary approach to the valuation of residential properties uses a hybrid cost sales comparison approach or cost approach modified by market transactions.

The following equation denotes the model used:

$$MV = LV + (RCN-AD)$$

In accordance with the cost approach, the estimated market value (MV) of the property equals the land value (LV) plus the replacement cost new of property improvements (RCN) less accrued depreciation (AD).

PILOT STUDY

Once entry of the field work is completed, properties will be recalculated in the CAMA system. By running ratio studies, we will compare LAD appraisals to sold property prices which will indicate the level of appraisal. We will review the results and address indicated modifications to our schedules. Ratio Studies attached as Exhibit "C".

DATA COLLECTIONS

In the field inspection, appraisers will collect information on the improvements, including judgment calls on effective age, construction grade (classing the improvement) and percent of depreciation (physical, functional, or economic).

Additional data will be collected by the sales questionnaire sent to buyers and sellers of property within the county. Information requested includes the names and address of the buyer and seller, legal description, parcel identifier, type of transfer, type of financing, personal property included in the sale price, date of transfer and sale price.

Further data will be obtained by inspecting deeds, deeds of trust, mechanics liens, closing statements, contacting realtors, and relying on appropriate appraisal manuals.

Real estate sales offerings listed in local newspapers and on internet sites will be reviewed.

LAD is provided a copy of building permits and demolition permits by the cities which require them.

PRODUCTION OF VALUES

The LAD appraised values will be compared to prices paid for properties in a market area. We will use existing appraisal classifications and adjust formulas, tables and schedules to reflect current market values. These preliminary value calculations will be tested for accuracy and uniformity and further adjusted if so indicated.

THE MASS APPRAISAL REPORT

LAD's chief appraiser will prepare a summary appraisal report each year after the appeals process. The report will cover the scope of work completed as outlined by the reappraisal plan.

The chief appraiser will sign the report for certification as required by Standards Rule 6-8 of USPAP.

VALUE DEFENSE

LAD staff will handle informal appeals filed by property owners, to explain the appraisal process and how the value of the property has been derived. LAD staff will also verify that all allowable exemptions and special appraisals are being applied. This is also an opportunity for property owners to show evidence or bring information to the district that may affect the value, which at the time of appraisal, was unknown to the field appraiser.

If a settlement cannot be reached, a hearing will be scheduled for the property owner to meet before the Appraisal Review Board. An information packet will be mailed to the property owner/agent notifying them of the date, time, and place of the hearing. They will also be provided a copy of the ARB Hearing Rules & Procedures, Property Taxpayer Remedies and Property Tax Protest & Appeal Procedures. If requested, the protester is provided with the evidence LAD intends to use at the hearing. LAD realizes the burden of proof lies with the district to prove the property's value and will defend such values at the ARB hearings.

At the conclusion of the ARB hearings, the appraisal roll will be approved, and the Chief Appraiser will start the certification process.

Certified values will be delivered to the taxing entities, along with effective tax rate reports, the top ten taxpayer's reports and the freeze loss reports for school districts. At this point, the various tax assessor/collectors will begin their duties in calculating tax rates for the jurisdictions they serve.

EXHIBIT

A

AGREEMENT FOR APPRAISAL SERVICES

This Agreement for Appraisal Services (the "Agreement") is made and entered into this 19th day of July _____, 2022 by and between the **Limestone Central Appraisal District** (the "District") and **Western Valuation & Consulting, LLC**, ("Western") 1250 Petroleum Drive, Suite A-100, Abilene, Texas 79602.

WHEREAS, the District has determined that there is a necessity for and that it will be in the best interest of the District and the taxpayers generally, to employ experts skilled in the appraisal and evaluation of property so that all taxable property may be properly valued for taxation and the values thereof equalized; and the District desires to obtain information, data, and assistance to enable its Chief Appraiser and its Appraisal Review Board to better perform their respective duties and functions are required by law; and

WHEREAS, the appraisal and evaluation of taxable properties for ad valorem tax purposes is a specialized profession requiring training, skill, experience, and expert knowledge; and

WHEREAS, the District believes that Western possesses special skill, technical knowledge, and the experience required, essential, desirable, and necessary for the appraisal of taxable properties and the furnishing of expert advice and assistance to its taxing officials and that it should contract for the services of Western.

NOW, THEREFORE, for and in consideration of the above premises and the mutual promises and covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Western and the District agree as follows:

1. Services to be Performed by Western

A. Scope and Timing of Services. Western agrees to assist the District in making appraisals of all taxable property, including land and improvements thereon, subject to taxation, situated within the boundaries of the District, the scope and timing of which are described on **Exhibit "A"**, which is attached hereto and incorporated herein by reference. It is acknowledged and agreed that the determination of which property is taxable property or eligible for an exemption is the sole responsibility of the Chief Appraiser of the District. Decisions concerning applicability of exemptions shall be made in accordance with the laws of the State of Texas.

Western agrees to secure all information possible and available for the use of the District to assist in enabling such district to: 1) determine the proper valuations to be fixed for and upon the properties subject to the terms of this Agreement, and 2) equalize the valuations of the same

with all other classes of property assessed and valued for taxation in said district. Western shall compile such taxation data and information as shall be of aid and benefit to the District in accomplishing the foregoing.

B. Employment of Skilled Experts. The District, as part of its deliberations in the adoption of this Agreement, finds that special skills, knowledge and ability are essential to the performance of the services by Western under the terms of this Agreement, and that the employment of Western constitutes the employment of skilled experts in special instances to assist the District in arriving at fair, impartial, and equal and uniform valuations of properties for tax purposes in the District.

C. Personnel. Western agrees to furnish personnel of high moral character and professional competence. Each employee of Western whose duties require the rendering of an opinion of value shall possess all skills and knowledge to competently value property for ad valorem taxation, and shall be registered with the Texas Department of Licensing and Registration.

D. No Tax Ferret Contract. This Agreement is not intended to be, and shall not be, deemed a tax ferret contract, it being the intention of the parties that the District does not desire and is not obligated to Western, and Western does not desire and is not obligated to ferret out, locate, identify, or discover any property to be added to the tax rolls (rendered or unrendered) of the District and that the only properties within the classes of property subject to the terms of this Agreement shall be appraised by Western under the terms of this Agreement, shall consist of properties within the classes of property subject to the terms of this Agreement which shall be appraised by Western under terms thereof, and shall consist of properties presently appearing on the tax rolls by the tax assessors of said District. However, in the event that Western, during the course of the performance of the services provided under this Agreement, locates, identifies, or discovers any property which is not on the District's tax rolls, Western agrees to provide the Chief Appraiser of the District with the available information relating thereto.

E. Licenses and Permits. Western shall obtain, maintain, and pay for all licenses, permits, and certificates that it is required to hold or maintain to perform the services specified under this Agreement, including all professional licenses required by any statute, ordinance, rule, or regulation. Western shall notify the District of any suspension, revocation, or other detrimental action against any of its licenses, permits or certificates that relate to such services.

2. Required Documentation and Use of Work Product

A. Documentation and Work Product. Western shall gather records, appraisals, data, and other information to aid the District in making appraisals of all taxable property subject to this Agreement in accordance with the services described on **Exhibit "A"**. Such completed work is for the use of the Chief Appraiser and Appraisal Review Board of the District. All records, appraisals, data, and other information gathered and developed by Western in its performance of services under this Agreement shall remain the property of the District. It is further acknowledged and agreed that this Agreement requires that copies of each appraisal, together with supporting data will be made available to the District, and such appraisal and supporting data shall be public record.

Appraisals and supporting data shall not be construed to include personal notes, correspondence, working papers, thought processes, or any other data including electronically recorded data and copies of all mathematical calculations (collectively referred to as "Western Work Product"). Western Work Product shall remain property of Western.

3. Performance Standards

A. Western's Performance Standards. Western's performance of services under this Agreement shall conform to the Uniform Standards of Professional Appraisal Practice as it applies to the property to be appraised under this Agreement located in the District for ad valorem tax purposes and shall conform to the professional standards prevailing in Limestone County, Texas, with respect to the scope, quality, due diligence and care of the services Western provides under this Agreement.

4. Testing Standards and Procedures

A. Testing of Mass Appraisal Models. If mass appraisal models are being provided under services listed on **Exhibit "A"**, the District shall have the opportunity to pilot test said models using the data provided.

5. District Responsibilities

A. Duties of the District. The District hereby agrees to provide Western and its employees and associates all available records of the District relating and pertaining to taxation, including field cards, building drawings, and maps; provide personnel to enter all data into the District's computer system except when the District provides electronic field devices for gathering data; advise the owners of each property of the value as it has been determined and announce the time and place when an informal review and appropriate Appraisal Review Board hearing(s) will be held; and to send tax rolls to entities.

6. Compensation of Western

A. Fee for Services. In consideration of the services to be performed by Western under this Agreement, the District agrees to compensate Western for the services rendered and to be rendered herein by Western the total sum of \$140,000.00 annually as is set forth on **Exhibit "A"**. It is acknowledged and agreed that this Agreement and the fees to be paid to Western are in no way contingent of the amount or increase in the appraised or taxable value of property appraised by Western.

B. Terms of Payment. Western shall invoice the District after completion of each stage of the services to be performed under this Agreement as is described in **Exhibit "A"**. The District agrees to pay Western for such services no later than fifteen (15) days following its receipt of Western's invoice.

C. Fee for Supplemental Services. In the event that the District requests that Western provide any of the additional services or additional time as described on **Exhibit "A"**, upon rendition of such services by Western, the District agrees to compensate Western for the services at the applicable rate as described on **Exhibit "A"**.

D. Holdback. The District is authorized to withhold all or any part of any fees as it determines in good faith are attributable to services not performed in an accurate or timely manner as described in **Exhibit "A"** to its reasonable satisfaction. The District must give written notice to Western of such withholding and give Western thirty (30) days to cure the defect. If Western has not cured to the District's reasonable satisfaction within the thirty (30) days or upon the termination date, whichever is earlier, the District shall not be obligated to pay Western the withheld amount.

7. Confidentiality

A. Confidentiality – Protection of the District's Interest. Western, its agents, employees, and contractors shall hold all District information, data and documents (collectively, "the Information") that they receive, or to which they have access, in strictest confidence. Western, its agents, employees, and contractors shall not disclose, disseminate, or use the Information, unless the District authorizes it in writing. Information is defined as information, knowledge, or data in the possession of, prepared by, obtained by, or compiled by either party which is not generally available to the public.

8. Term and Termination

A. Contract Term. The term of this Agreement shall commence on August 1, 2022, and terminate on July 31, 2025, unless sooner terminated as provided under this Agreement.

B. Termination for Convenience. Either party may terminate this Agreement upon thirty (30) days written notice to the other party. The District's right to terminate this Agreement for convenience is cumulative of all rights and remedies, which exist now or in the future.

As soon as practicable after giving or receiving notice of termination, Western shall submit an invoice showing the services performed under this Agreement. The District shall then pay the fees to Western for services actually performed, but not already paid for.

C. Termination for Cause. If Western defaults under this Agreement, the District may terminate this Agreement upon written notice as provided below. The District's right to terminate

this Agreement for Western's default is cumulative of all rights and remedies, which exist now or in the future. Default by Western occurs if:

1. Western fails to perform any of its duties under this Agreement;
 2. Western becomes insolvent;
 3. All or a substantial part of Western's assets are assigned for the benefit of its creditors;
- or
4. A receiver or trustee is appointed for Western.

If default occurs, the District shall deliver a written notice to Western describing the default and giving Western the opportunity to cure the default within fifteen (15) days from the date of the notice (the "Termination Date"). If Western cures the default to the District's reasonable satisfaction by the Termination Date, then the termination is ineffective. The District, at its sole option, may extend the Termination Date to a later date. If Western does not cure the default by the Termination Date, then the District may terminate this Agreement on the termination, at no further obligation of the District.

D. Compensation upon failure to perform, unavailability of funds, liquidation, or other factors. In the event of a failure to perform, the unavailability of funds, liquidation or other factors, the District shall be entitled to compensation from Western in the form and amount of damages available under applicable law. "Other factors" shall mean an event of default by Western, as set forth in paragraph C above.

E. Termination due to Legislature Changes. If the Texas Legislature makes changes to the property tax system that cause this Agreement to become unworkable, or if the District is unable to secure funding for this Agreement after exercising reasonable efforts to secure funding, the District is authorized to terminate this Agreement upon fifteen (15) days' written notice to Western.

9. Responsibility for Maintenance and Upgrades

A. Software and Hardware. The District shall be responsible for any necessary upgrades and updates of software and/or hardware used and/or provided by the District necessary for Western's performance of services under this Agreement.

B. Annual Maintenance. If the term of this Agreement is longer than one (1) year, at the end of each year during the term of this Agreement Western shall perform a field review for new improvements that may affect values of properties situated in the District and shall adjust values as necessary. This annual maintenance shall only be performed during the term of this Agreement and Western shall have no obligation to perform said annual maintenance upon the expiration or termination of this Agreement.

10. Release and Indemnification

A. RELEASE. WESTERN AGREES TO AND SHALL RELEASE THE DISTRICT, ITS AGENTS, EMPLOYEES, OFFICERS AND LEGAL REPRESENTATIVES FROM ALL LIABILITY FOR INJURY, DEATH, DAMAGE, OR LOSS TO PERSONS OR PROPERTY SUSTAINED IN CONNECTION WITH OR INCIDENTAL TO PERFORMANCE UNDER THIS AGREEMENT, EVEN IF THE INJURY, DEATH, DAMAGE, OR LOSS IS CAUSED BY THE DISTRICT'S SOLE OR CONCURRENT NEGLIGENCE.

B. INDEMNIFICATION. WESTERN AGREES TO AND SHALL DEFEND, INDEMNIFY, AND HOLD THE DISTRICT, ITS AGENTS, EMPLOYEES, OFFICERS AND LEGAL REPRESENTATIVES (COLLECTIVELY IN THIS PARAGRAPH, THE "DISTRICT") HARMLESS FOR ALL CLAIMS, CAUSES OF ACTION, LIABILITIES, FINES, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, ATTORNEYS' FEES, COURT COSTS, AND ALL OTHER DEFENSE COSTS AND INTEREST) FOR LOSS, DAMAGE OR INJURY SUSTAINED IN CONNECTION WITH OR INCIDENTAL TO PERFORMANCE UNDER THIS AGREEMENT ARISING OUT OF OR INCIDENT TO THE PERFORMANCE OF THIS AGREEMENT BY WESTERN.

C. Indemnification – Procedures.

1. Notice of Claims. If the District or Western receives notice of any claim or circumstances which could give rise to an indemnified loss, the receiving party shall give written notice to the other party within ten (10) days. The notice must include the following:

- a. a description of the indemnification event in reasonable detail,
- b. the basis on which indemnification may be due, and
- c. the anticipated amount of the indemnified loss.

This notice does not estop or prevent the District from later asserting a different basis for indemnification or a different amount of indemnified loss than that indicated in the initial notice.

2. Defense of Claims.

a. Assumption of Defense. Western may assume the defense of the claim at its own expense with counsel chosen by it that is reasonably satisfactory to the District. Western shall then control the defense and any negotiations to settle the claim. Within ten (10) days after receiving written notice of the indemnification request, Western must advise the District as to whether or not it will defend the claim.

b. Continued Participation. If Western elects to defend the claim, the District may retain separate counsel to participate in (but not control) the defense and to participate in (but not control) any settlement negotiations. Western may settle the claim without the consent or agreement of the District unless it (i) would result in

injunctive relief or other equitable remedies or otherwise require the District to comply with restrictions or limitations that adversely affect the District, (ii) would require the District to pay amounts that Western does not fund in full, (iii) would not result in the District's full and complete release from all liability to the plaintiffs or claimants who are parties to or otherwise bound by the settlement.

c. The indemnity obligations that are set forth herein expressly survive the termination of this Agreement.

11. Insurance

Western shall maintain in effect certain insurance coverage and shall furnish certificates of insurance, in duplicate form, before beginning its performance under this Agreement. All policies except Professional Liability and Workers' Compensation must name the District as an additional insured. The required insurance must be issued by a company or companies of sound and adequate financial responsibility. All policies are subject to examination and approval by the District for their adequacy as to content, form of protection and providing company. Western shall maintain the following insurance coverages in the following amounts:

A. Commercial General Liability insurance:

- \$1,000,000.00 per occurrence; \$1,000,000.00 aggregate, together with damage to premises and fire damage of \$50,000.00 and medical expenses of any one person of \$5,000.00 with deduction no greater than \$1,000.00

B. Workers' Compensation:

- Statutory amount

C. Professional Liability and/or errors/omissions coverage:

- \$1,000,000.00 per occurrence; \$1,000,000.00 aggregate, with deductible no greater than \$10,000.00

Defense costs are excluded from the face amount of this policy. Aggregate limits are per 12-month policy period unless otherwise indicated.

All insurance policies must require on their face, or by endorsement, that the insurance carrier waives any rights of subrogation against the District, and that it shall give thirty (30) days written notice to the District before they may be canceled, materially changed, or nonrenewed. Within the thirty (30) day period, Western shall provide other suitable policies in lieu of those about to be canceled, materially changed, or non renewed so as to maintain in effect the required coverage. If Western does not comply with this requirement the District, at its sole discretion, may: (i) immediately suspend Western from any further performance under this Agreement and begin

procedures to terminate for default; or (ii) purchase the required insurance with the District's funds and deduct the cost of the premiums from amounts due to Western under this Agreement.

12. Compliance with Laws

A. All Laws. Western shall comply with all applicable local, state, and federal laws and regulations.

13. Miscellaneous

A. Independent Contractor. Western is an independent contractor and shall perform the services provided for in this Agreement in that capacity. The District has no control or supervisory powers over the manner or method of Western's performance under this Agreement. Western is solely responsible for the compensation of its personnel, including but not limited to the withholding of income, social security, and other payroll taxes and all workers' compensation benefits coverage. Western acknowledges and agrees that it may not subcontract the services it has agreed to render herein to the District, unless the District provides its express written agreement allowing for such contracting.

B. Force Majeure. Timely performance by both parties is essential to this Agreement. However, neither party is liable for reasonable delays in performing its obligations under this Agreement to the extent that the delay is caused by Force Majeure that directly impacts the District or Western. The event of Force Majeure may permit a reasonable delay in performance but does not excuse a party's obligations to complete performance under this Agreement. Force Majeure means: fires, interruption of utility services, floods, hurricanes, tornadoes, ice storms and other natural disasters, explosions, war, terrorist acts against the District or Western, riots, strikes, court orders, and the acts of superior governmental or military authority, and which the affected party is unable to prevent by the exercise of reasonable diligence. Force Majeure does not entitle Western to extra reimbursable expenses or payment.

C. Severability. If any part of this Agreement is for any reason found to be unenforceable, all other parts remain enforceable unless the result materially prejudices either party.

D. Entire Agreement. This Agreement merges the prior negotiations and understandings of the parties and embodies the entire agreement of the parties. No other agreements, assurances, conditions, covenants (express or implied), or other terms of any kind, exist between the parties regarding this Agreement.

E. Written Amendment. Unless otherwise specified elsewhere in this Agreement, this Agreement may be amended only by written instrument executed on behalf of the District and Western.

F. Applicable Laws and Venue. This Agreement is subject to the laws of the State of Texas, the laws of the federal government of the United States, and all rules and regulations of any regulatory body or officer having jurisdiction. Western shall comply with all applicable state and federal laws and regulations applicable to this Agreement and Western's services hereunder. Venue for any litigation relating to this Agreement is Limestone County, Texas.

G. Dispute Resolution. If a dispute arises out of or relates to this Agreement or its breach, the District and Western shall attempt to settle the dispute first through mediation. Mediation shall be held in Limestone County, Texas. Once the District or Western files a request for mediation in writing with the other party, the parties shall agree upon a mediator within thirty (30) days. If the parties cannot agree upon a mediator within thirty (30) days, one shall be appointed by a District Judge of Limestone County. Once a mediator is selected, the parties will conclude such mediation within sixty (60) days. If mediation is unsuccessful, the parties may resort to court action to resolve the dispute.

G. Notices. All notices required or permitted by this Agreement must be in writing and are deemed delivered on the earlier of the date actually received or the third day following: (1) deposit in a United States Postal Service post office or receptacle; (2) with proper postage (certified mail, return receipt requested); and (3) addressed to the other party at the address set out in the preamble of this Agreement or at such other address as the receiving party designates by proper notice to the sending party.

H. Captions. Captions contained in this Agreement are for reference only, and therefore, have no effect in construing this Agreement. The captions are not restrictive of the subject matter of any section in this Agreement.

I. Non-Waiver. If either party fails to require the other to perform a term of this Agreement, that failure does not prevent the party from later enforcing that term and all other terms. If either party waives the other's breach of a term, that waiver does not waive a later breach of this Agreement.

L. Ambiguities. If any term of this Agreement is ambiguous, it shall not be construed for or against any party on the basis that the party did or did not prepare this Agreement.

M. Survival. Western shall remain obligated to the District under all clauses of this Agreement that expressly or by their nature extend beyond the expiration or termination of this Agreement, including but not limited to, the indemnity provisions.

N. Parties in Interest. This Agreement does not bestow any rights upon any third party, but binds and benefits the District and Western only.

O. Successors and Assigns. This Agreement binds and benefits the parties and their legal successors and permitted assigns; however, this provision does not alter the restrictions on assignment and disposal of assets set forth herein. This Agreement does not create any personal liability on the part of any officer or agent of the District.

P. Assignments. Western shall not assign or delegate its responsibility under this Agreement without the District's prior written consent.

Q. Remedies Cumulative. Unless otherwise specified elsewhere in this Agreement, the rights and remedies contained in this Agreement are not exclusive, but are cumulative of all rights and remedies, which exist now or in the future. Neither party may terminate its duties under this Agreement except in accordance with its provisions.

Executed on the dates as set forth in the signature section below, to be effective as of August 1, 2022

WESTERN VALUATION & CONSULTING, LLC

By: Richard Petree

By: Terri Lenamon

Name: Richard Petree

Name: Terri Lenamon

Title: Partner

Title: Chief Appraiser

Date: 8-8-22

Date: July 19th 2022

EXHIBIT "A"

This proposal for appraisal services includes inspection of all State Coded A, B, C, D, E, F, M, and X real properties, updated pictures of each improvement, development of depreciation schedules driven from market sales, analysis of market value based on current sales data, review and revise market value of land tracts when necessary, and appraisal of all commercial property utilizing cost and income approaches to value when applicable.

Western agrees to include in this proposal up to one hundred (100) "locked gate" inspections annually. If the chief appraiser wants additional inspections, the cost will be \$50 per parcel above the initial 100 provided. All rural parcels with locked gates will be examined on aerial photography while the appraiser is on site to see if any improvements are visible and provide an estimate of improvement value derived using this method. Additionally, staff appraisers will meet with Limestone County property owners who wish to discuss their values in an informal settlement conference and will represent the District before the Appraisal Review Board if an informal settlement cannot be reached. This proposal includes ten (10) days of informal or formal meetings with taxpayers included in this cost. Additional days of informal/formal protest meetings may be billed at a rate of \$600/day.

The cost of the above described services is \$140,000 (One hundred forty thousand dollars) annually. Payments shall be made by the appraisal district within the first 10 days of each quarter. If work for a year is completed and the roll certified, the remaining payments for that year are due and payable even if the contract for that year is canceled.

October 1, 2022	\$35,000
January 1, 2023	\$35,000
April 1, 2023	\$35,000
July 1, 2023	\$35,000
—	
October 1, 2023	\$35,000
January 1, 2024	\$35,000
April 1, 2024	\$35,000
July 1, 2024	\$35,000
—	
October 1, 2024	\$35,000
January 1, 2025	\$35,000
April 1, 2025	\$35,000
July 1, 2025	\$35,000

EXHIBIT

B



S.B. 1652* BIENNIAL REAPPRAISAL PLAN

FOR THE ANNUAL APPRAISAL FOR
AD VALOREM TAX PURPOSES OF
MINERAL, INDUSTRIAL, UTILITY AND
RELATED PERSONAL PROPERTY

For Tax Years:

2023 and 2024**

Originally Printed: July 21, 2022

***This biennial reappraisal plan is largely predicated on the Scope of Work Rule in the most recent version of Uniform Standards of Professional Appraisal Practice (USPAP) promulgated by The Appraisal Foundation's Appraisal Standards Board (ASB). On February 19, 2021, the ASB announced that the 2020-2021 edition of USPAP would be extended for use into 2022. Subsequently, this plan does not have a newer edition of USPAP to draw upon and therefore is substantially similar to the 2021-2022 biennial reappraisal plan.*

*Senate Bill 1652 passed by the Texas Legislature, 79th Regular Session in 2005, amending Section 6.05 of the Texas Property Tax Code, adding Subsection (i) as follows:

"To ensure adherence with generally accepted appraisal practices, the board of directors of an appraisal district shall develop biennially a written plan for the periodic reappraisal of all property within the boundaries of the district according to the requirements of Section 25.18 and shall hold a public hearing to consider the proposed plan. Not later than the 10th day before the date of the hearing, the secretary of the board shall deliver to the presiding officer of the governing body of each taxing unit participating in the district a written notice of the date, time, and place for the hearing. Not later than September 15 of each even-numbered year, the board shall complete its hearings, make any amendments, and by resolution finally approve the plan. Copies of the approved plan shall be distributed to the presiding officer of the governing body of each taxing unit participating in the district and to the comptroller within 60 days of the approval date."

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interests of equity, the scope of work in mass appraisal assignments for ad valorem taxation can include consideration of appraisal level (the overall proximity between appraised values and actual prices) and the uniformity of property values (equity within groups of like properties). The appraiser is responsible for recognizing when the concepts of appraisal level and appraisal uniformity are necessary for credible assignment results in a mass appraisal assignment for ad valorem taxation.

Residential real estate property appraisers most frequently apply mass appraisal methods within the sales comparison (market) approach to value. Through the use of standardized data collection (i.e., actual market sales), specification and calibration of mass appraisal models, tables, and schedules are possible. Through ratio study analysis and other performance measures, a cumulative summary of valuation accuracy can thus be produced in order to calibrate the appraisal model(s). Where sufficient data of reliable quality exists, mass appraisal is also used for other types of real estate property such as farms, vacant lots, and some commercial uses (e.g., apartments, offices, and small retail).

Regarding mass appraisal reports due the client and other intended users per USPAP (Standard 6 (Mass Appraisal, Reporting), a written report of the mass appraisal as described in Standards 6-2 is not provided for each individual property. An individual property record or worksheet may describe the valuation of the specific property after the application of the mass appraisal model. To understand the individual property result developed in a mass appraisal requires the examination of all the information and analysis required by Standards 6-2.

P&A will clearly state or otherwise make known all extraordinary assumptions, hypothetical conditions, limitations imposed by assignment conditions, and/or jurisdictional exceptions in its appraisal reports as they are conveyed to our clients. ***Intended users of our reports are typically the client(s) for which we are under direct contract.*** Although taxpayers or their agents who own and/or represent the subject property being appraised often receive these reports either by law or as a courtesy of the client or P&A, this receipt does not mean these parties automatically become Intended Users as defined by USPAP. ***A party receiving a copy of a report in order to satisfy disclosure requirements does not become an intended user of the appraisal or mass appraisal unless the appraiser specifically identifies such party as an intended user.*** Potential other users include parties involved in adjudication of valuation disputes (review board members, lawyers, judges, etc.), governmental agencies which periodically review our appraisals for various statutory purposes (such as the Texas Comptroller's Office) and private parties who may obtain copies of our appraisals through Open Records Requests made to governmental agencies.

USPAP does not currently address communications of assignment results prior to completion of the assignment, thus such communications have no requirements other than to comply with the general requirements in the Ethics Rule, the Competency Rule, and the Jurisdictional Exception Rule. The client and all intended users should be aware that mass appraisals, as opposed to most "fee" appraisals, are somewhat inherently "limited" versus "complete" and that appraisal reports, unless otherwise contracted for by the client, will most often be of a "restricted" nature whereas explanations of appraisal methods and results are more concise versus lengthy in order to promote brevity, clarity, and transparency to the intended user(s).

Per USPAP, the appropriate reporting option and level of information in a report are dependant on the intended use and the intended users. Although the reporting verbiage in USPAP Standard 6 does not specifically offer or promulgate a "Restricted Appraisal Report" such as in Standard 2 (Real Property Appraisal, Reporting) and Standard 8 (Personal Property Appraisal, Reporting), it should be noted that: a) all mass appraisals and mass appraisal reports deal with real and personal property in some form or fashion; and b) P&A is a private consulting firm, a fact which may necessitate the withholding of certain data and/or appraisal models/techniques which are deemed confidential, privileged and/or proprietary in nature. The use of "limited" appraisals in conjunction with "restricted" reports in no way implies non-compliance with USPAP. ***The substantive content of a report***

PREAMBLE

The purpose of USPAP is to establish requirements and conditions for ethical, thorough, and transparent property valuation services. Valuation services pertain to all aspects of property value and include services performed by appraisers and other professionals including attorneys, accountants, insurance estimators, auctioneers, or brokers. Valuation services include appraisal, appraisal review, and appraisal consulting. The primary intent of these Standards is to promote and maintain a high level of public trust in professional appraisal practice.

It is essential that professional appraisers develop and communicate their analyses, opinions, and conclusions to intended users of their services in a manner that is meaningful and not misleading. The importance of the role of the appraiser places ethical obligations upon those who serve in this capacity. These USPAP Standards reflect the current standards of the appraisal profession.

These Standards are for both appraisers and users of appraisal services. To maintain a high level of professional practice, appraisers observe these Standards. However, these Standards do not in themselves establish which individuals or assignments must comply. The Appraisal Foundation nor its Appraisal Standards Board is not a government entity with the power to make, judge, or enforce law. Compliance with USPAP is only required when either the service or the appraiser is obligated to comply by law or regulation, or by agreement with the client or intended users. When not obligated, individuals may still choose to comply.

USPAP addresses the ethical and performance obligations of appraisers through Definitions, Rules, Standards, Statements (if any), and Advisory Opinions. USPAP Standards deal with the procedures to be followed in performing an appraisal or appraisal review and the manner in which each is communicated. A brief description of the USPAP Standards are as follows:

- **Standards 1 and 2:** establish requirements for the development and communication of a real property appraisal.
- **Standards 3 and 4:** establishes requirements for the development and communication of an appraisal review.
- **Standards 5 and 6:** establishes requirements for the development and communication of a mass appraisal.
- **Standards 7 and 8:** establish requirements for the development and communication of a personal property appraisal.
- **Standards 9 and 10:** establish requirements for the development and communication of a business or intangible asset appraisal.

Section 23.01(b) [*Appraisals Generally*] of the Texas Property Tax Code states:

“The market value of property shall be determined by the application of generally accepted appraisal methods and techniques. If the Appraisal District determines the appraised value of a property using mass appraisal standards, the mass appraisal standards must comply with the Uniform Standards of Professional Appraisal Practice...” (underline added for emphasis)

Consequently, USPAP Standards 5 and 6 are assumed to be the applicable standard for ad valorem tax purposes in Texas, if mass appraisal practices are in fact being used to appraise the subject property. USPAP Advisory Opinion 32 suggests several USPAP standards other than Standards 5 or 6 can apply in ad valorem tax work. It appears that an appraiser engaged in ad valorem tax work in Texas is not specifically required by law to follow these USPAP standards if in fact mass appraisal practices have not been used to appraise the subject property. In this case it could be deemed appropriate to invoke the Jurisdictional Exception Rule which is applicable when

ETHICS RULE

Because of the fiduciary responsibilities inherent in professional appraisal practice, the appraiser must observe the highest standards of professional ethics. This Ethics Rule is divided into three sections:

- Conduct;
- Management;
- Confidentiality.

This Rule emphasizes the personal obligations and responsibilities of the individual appraiser. However, it should be noted that groups and organizations *which are comprised of individual appraisers engaged in appraisal practice* effectively share the same ethical obligations. To the extent the group or organization does not follow USPAP Standards when legally required, individual appraisers should take steps that are appropriate under the circumstances to ensure compliance with USPAP.

Compliance with these Standards is required when either the service or the appraiser is obligated by law or regulation, or by agreement with the client or intended users, to comply. *Compliance is also required when an individual, by choice, represents that he or she is performing the service as an appraiser.*

An appraiser must not misrepresent his or her role when providing valuation services that are outside of appraisal practice.

Honesty, impartiality, and professional competency are required of all appraisers under USPAP Standards. To document recognition and acceptance of his or her USPAP-related responsibilities in communicating an appraisal or appraisal review completed under USPAP, an appraiser is required to certify compliance with these Standards.

CONDUCT

An appraiser must perform assignments with impartiality, objectivity, and independence, and without accommodation of personal interests.

An appraiser:

- must not perform an assignment with bias;
- must not advocate the cause or interest of any party or issue;
- *must not accept an assignment that includes the reporting of predetermined opinions and conclusions;*
- must not misrepresent his or her role when providing valuation services that are outside of appraisal practice;
- must not communicate assignment results with the intent to mislead or to defraud;
- must not use or communicate a report or assignment results known by the appraiser to be misleading or fraudulent;
- must not knowingly permit an employee or other person to communicate a report or assignment results that are misleading or fraudulent report;
- must not use or rely on unsupported conclusions relating to characteristics such as race, color, religion, national origin, gender, marital status, familial status, age, receipt of public assistance income, handicap, or an unsupported conclusion that homogeneity of such characteristics is necessary to maximize value;
- must not engage in criminal conduct;

CONFIDENTIALITY

An appraiser must protect the confidential nature of the appraiser-property owner relationship.

An appraiser must act in good faith with regard to the legitimate interests of the client in the use of confidential information and in the communication of assignment results.

An appraiser must be aware of, and comply with, all confidentiality and privacy laws and regulations applicable in an assignment.

An appraiser must not disclose confidential factual data obtained from a property owner to anyone other than:

1. The client;
2. Parties specifically authorized by the client;
3. State appraiser regulatory agencies;
4. Third parties as may be authorized by due process of law; or
5. A duly authorized professional peer review committee except when such disclosure to a committee would violate applicable law or regulation.

An appraiser must take reasonable steps to safeguard access to confidential information and assignment results by unauthorized individuals, whether such information or results are in physical or electronic form. In addition, an appraiser must ensure that employees, coworkers, subcontractors, or others who may have access to confidential information or assignments results, are aware of the prohibitions on disclosure of such information or results.

It is unethical for a member of a duly authorized professional peer review committee to disclose confidential information presented to the committee.

When all confidential elements of confidential information are removed through redaction or the process of aggregation, client authorization is not required for the disclosure of the remaining information, as modified.

SCOPE OF WORK RULE

For each appraisal or appraisal review assignment, an appraiser must:

1. Identify the problem to be solved;
2. Determine and perform the scope of work necessary to develop credible assignment results; and
3. Disclose the scope of work in the report.

An appraiser must properly identify the problem to be solved in order to determine the appropriate scope of work. The appraiser must be prepared to demonstrate that the scope of work is sufficient to produce credible assignment results.

Scope of work includes, but is not limited to:

- the extent to which the property is identified;
- the extent to which tangible property is inspected;
- the type and extent of data researched; and
- the type and extent of analyses applied to arrive at opinions or conclusions.

Appraisers have broad flexibility and significant responsibility in determining the appropriate scope of work for an appraisal or appraisal review assignment. Credible assignment results require support by relevant evidence and logic. *The credibility of assignment results is always measured in the context of the intended use.*

PROBLEM IDENTIFICATION

An appraiser must gather and analyze information about those assignment elements that are necessary to properly identify the appraisal, appraisal review or appraisal consulting problem to be solved. The assignment elements necessary for problem identification are addressed in the Standard 6-2:

- client and any other intended users;
- intended use of the appraiser's opinions and conclusions;
- type and definition of value;
- effective date of the appraiser's opinions and conclusions;
- subject of the assignment and its relevant characteristics; and
- assignment conditions.

This information provides the appraiser with the basis for determining the type and extent of research and analyses to include in the development of an appraisal. Similar information is necessary for problem identification in appraisal review and appraisal consulting assignments. Assignment conditions include:

- assumptions;
- extraordinary assumptions;
- hypothetical conditions;
- laws and regulations;
- jurisdictional exceptions; and
- other conditions that affect the scope of work.

JURISDICTIONAL EXCEPTION RULE

If any applicable law or regulation precludes compliance with any part of USPAP, only that part of USPAP becomes void for that assignment. When compliance with USPAP is required by federal law or regulation, no part of USPAP can be voided by a law or regulation of a state or local jurisdiction. ***When an appraiser properly follows this Rule in disregarding a part of USPAP, there is no violation of USPAP.***

In an assignment involving a jurisdictional exception, an appraiser must:

- identify the law or regulation that precludes compliance with USPAP;
- comply with that law or regulation;
- clearly and conspicuously disclose in the report the part of USPAP that is voided by that law or regulation; and
- cite in the report the law or regulation requiring this exception to USPAP compliance.

The purpose of the Jurisdictional Exception Rule is strictly limited to providing a saving or severability clause intended to preserve the balance of USPAP if one or more of its parts are determined as contrary to law or public policy of a jurisdiction. By logical extension, there can be no violation of USPAP by an appraiser who disregards, with proper disclosure, only the part or parts of USPAP that are void and of no force and effect in a particular assignment by operation of legal authority.

It is misleading for an appraiser to disregard a part or parts of USPAP as void and of no force and effect in a particular assignment without identifying the part or parts disregarded and the legal authority justifying this action in the appraiser's report.

“Law” includes constitutions, legislative and court-made law, and administrative rules (such as from the Office of the Texas Comptroller of Public Accounts) and ordinances. “Regulations” include rules or orders having legal force, issued by an administrative agency. ***Instructions from a client or attorney do not establish a jurisdictional exception.***

A jurisdictional exception prevalent in Texas is that appraisers are seeking to establish “fair market value” as defined by the Texas Property Tax Code instead of “market value” as found in the USPAP definitions section.

- **Standard 5-1:** Establishes the appraiser's technical and ethical framework. Specifically, appraisers must recognize and use established principles, methods and techniques of appraisal in a careful manner while not committing substantial errors of fact or negligence that would materially affect the appraisal results and not give a credible estimate of fair market value. To this end appraisers must continuously improve his or her skills to maintain proficiency and keep abreast of any new developments in the real and personal property appraisal profession. This Standards does not imply that competence requires perfection, as perfection is impossible to attain. Instead, it requires appraisers to employ every reasonable effort with regards to due diligence and due care.
- **Standard 5-2:** Defines the introductory framework requirements of developing a mass appraisal, focusing on the identification and/or definition of: client(s), intended users, effective date, appraisal perspective, scope of work, extraordinary assumptions, hypothetical conditions, the type and definition of value being developed (typically "fair market value" for ad valorem tax purposes), characteristics of the property being appraised in relation to the type and definition of value and intended use, the characteristics of the property's market, the property's real or personal attributes, fractional interest applicability, highest and best use analysis along with other land-related considerations, and any other economic considerations relevant to the property.
- **Standard 5-3:** Defines requirements for developing and specifying appropriate mass appraisal data and elements applicable for real and personal property. For real property, the data and elements include: existing land use regulations, reasonably probable modification of such regulations, economic supply and demand, the physical adaptability of the real estate, neighborhood trends, and highest and best use analysis. For personal property, the relevant data and elements include: identification of industry trends, trade level, highest and best use, and recognition of the appropriate market consistent with the type and definition of value.
- **Standard 5-4:** Further defines requirements for developing mass appraisal models, focusing on development of standardized data collection forms, procedures, and training materials that are used uniformly on the universe of properties under consideration. This rule specifies that appraisers employ recognized techniques for specifying and calibrating mass appraisal models. Model specification is the formal development of a model in a statement or mathematical equation, including all due considerations for physical, functional, and external market factors as they may affect the appraisal. These models must accurately represent the relationship between property value and supply and demand factors, as represented by quantitative and qualitative property characteristics. Models must be calibrated using recognized techniques, including, but not limited to, multiple linear regression, nonlinear regression, and adaptive estimation. Models may be specified incorporating the income, market, and/or cost approaches to value and may be tabular, mathematical, linear, nonlinear, or any other structure suitable for representing the observable property characteristics such as adaptive estimation. Model calibration refers to the process of analyzing sets of property and market data to determine the specific parameters of a model.
- **Standard 5-5:** Defines requirements for collection of sufficient factual data, in both qualitative and quantitative terms, necessary to produce credible appraisal results. The property characteristics collected must be contemporaneous with the effective date of the appraisal. The data collection program should incorporate a quality control procedure, including checks and audits of the data to ensure current and consistent records. This rule also calls for calls for an appraiser, in developing income and expense statements and cashflow projections, to weigh historical information and trends, current market factors affecting such trends, and reasonably anticipated events, such as competition from developments either planned or under construction. Terms and conditions of any leases should be analyzed, as well as the need for and extent of any physical inspection of the properties being appraised.

USPAP STANDARDS 5, 6-1, 6-2: MASS APPRAISAL OF MINERAL INTERESTS

INTRODUCTION

Definition of Appraisal Responsibility (Scope of Effort): The Mineral Valuation Department of Pritchard & Abbott, Inc. ("P&A" hereinafter), is responsible for developing credible values for mineral interests (full or fractional percentage ownership of oil and gas leasehold interest, the amount and type of which are legally and/or contractually created and specified through deeds and leases, et.al.) associated with producing (or capable of producing) leases. Mineral interests are typically considered real property because of their derivation from the bundle of rights associated with original fee simple ownership of land. Typically all the mineral interests that apply to a single producing lease are consolidated by type (working vs. royalty) with each type then appraised for full value which is then distributed to the various fractional decimal interest owners prorata to their individual type and percentage amount.

P&A's typical client is a governmental entity charged with appraisal responsibility for ad valorem tax purposes, although other types of clients (private businesses, individuals, etc.) occasionally contract for appraisal services which are strictly for various non-ad valorem tax purposes so that no conflicts of interest are created with P&A's core ad valorem tax work.

P&A hereby makes the **assumption** that, in all appraisal assignments performed for governmental entities in satisfaction of contractual obligations related to ad valorem tax, the client does not wish to or cannot legally request the appraisal report not identify the client.

Intended users of our reports are typically the client(s) for which we are under direct contract. Although taxpayers or their agents who own and/or represent the subject property being appraised often receive these reports either by law or as a courtesy of the client or P&A, this receipt does not mean these parties automatically become Intended Users as defined by USPAP. **A party receiving a copy of a report in order to satisfy disclosure requirements does not become an intended user of the appraisal or mass appraisal unless the appraiser specifically identifies such party as an intended user.** Potential other users include parties involved in adjudication of valuation disputes (review board members, lawyers, judges, etc.), governmental agencies which periodically review our appraisals for various statutory purposes (such as the Texas Comptroller's Office) and private parties who may obtain copies of our appraisals through Open Records Requests made to governmental agencies.

This section of P&A's USPAP report is not applicable to any mineral or mineral interest property that an appraisal district appraises outside of P&A's appraisal services, in which case the appraisal district's overall USPAP report should be referenced.

P&A makes the **Extraordinary Assumption** that all properties appraised for ad valorem tax purposes are marketable whereas ownership and title to property are free of encumbrances and other restrictions that would affect fair market value to an extent not obvious to the general marketplace. If and/or when we are made aware of any encumbrances, etc., these would be taken into account in our appraisal in which case the extraordinary assumption stated above would be revoked.

P&A is typically under contract to determine current market value or "fair market value" of said mineral interests. Fair market value is typically described as the price at which a property would sell for if:

- exposed in the open market with a reasonable time for the seller to find a purchaser;

Appraisal Resources

Personnel: The Mineral Valuation Division staff consists of competent Petroleum Engineers, Geologists, and Appraisers. All personnel are Registered Professional Appraisers with the State of Texas, or are progressing towards this designation within the allowable time frames prescribed by the Texas Department of Licensing and Regulation (TDLR) and/or other licensing and regulatory agencies as applicable.

Data: For each mineral property a common set of data characteristics (i.e. historical production, price and expense data) is collected from various sources and entered into P&A's mainframe computer system. Historical production data and price data is available through state agencies (Texas Railroad Commission, Texas Comptroller, et al.) or private firms who gather, format and repackage such data for sale commercially. Each property's characteristic data drives the computer-assisted mass appraisal approach to valuation.

Information Systems: The mainframe systems are augmented by the databases that serve the various in-house and 3rd-party applications on desktop personal computers. In addition, communication and dissemination of appraisals and other information is available to the taxpayer and client through electronic means including internet and other phone-line connectivity. The appraiser supervising any given contract fields many of the public's questions or redirects them to the proper department personnel.

VALUATION APPROACH (MODEL SPECIFICATION)

Concepts of Value: The valuation of oil and gas properties is not an exact science, and exact accuracy is not attainable due to many factors. Nevertheless, standards of reasonable performance do exist, and there are usually reliable means of measuring and applying these standards.

Petroleum properties are subject to depletion, and capital investment must be returned before economic exhaustion of the resource (mineral reserves). The examination of petroleum properties involves understanding the geology of the resource (producing and non-producing), type of reservoir energy, the methods of secondary and enhanced recovery (if applicable), and the surface treatment and marketability of the produced petroleum product(s).

Evaluation of mineral properties is a continuous process; the value as of the lien date merely represents a "snapshot" in time. The potential value of mineral interests derived from sale of minerals to be extracted from the ground change with mineral price fluctuation in the open market, changes in extraction technology, costs of extraction, and other variables such as the value of money.

Approaches to Value for Petroleum Property

Cost Approach: The use of cost data in an appraisal for market value is based upon the economic principle of substitution. The cost approach typically derives value by a model that begins with replacement cost new (RCN) and then applies depreciation in all its forms (physical depreciation, functional and economic obsolescence). This method is difficult to apply to oil and gas properties since lease acquisition and development may bear no relation to present worth. Though very useful in the appraisal of many other types of properties, the cost approach is not readily applicable to mineral properties. [Keep in mind that the property actually being appraised is the mineral interest and not the oil and gas reserves themselves. Trying to apply the cost approach to evaluation of mineral interests is like trying to apply the cost approach to land; it is a moot point because both are real properties that are inherently non-replaceable.] **As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., does not employ the cost approach in the appraisal of mineral interests.**

As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., relies predominantly on the income approach to value in the appraisal of mineral interests.

DATA COLLECTION/VALIDATION

Sources of Data: The main source of P&A's property data is data from the Railroad Commission of Texas as reported by operators. As a monthly activity, the data processing department receives data tapes or electronic files which have updated and new well and production data. Other discovery tools are fieldwork by appraisers, financial data from operators, information from chief appraisers, tax assessors, trade publications and city and local newspapers. Other members of the public often provide P&A information regarding new wells and other useful facts related to property valuation.

Another crucial set of data to obtain is the ownership of these mineral interests. Typically a mineral lease is fractionated and executed with several if not many owners. This information is typically requested (under a promise of confidentiality concerning owners' personal information) from pipeline purchasers and/or other entities (such as operators) who have the responsibility of disbursing the income to the mineral interest owners. Another source of ownership information is through the taxpayers themselves who file deeds of ownership transfer and/or correspond with P&A or the appraisal district directly.

Data Collection Procedures: Electronic and field data collection requires organization, planning and supervision of the appraisal staff. Data collection procedures for mineral properties are generally accomplished globally by the company; i.e., production and price data for the entire state is downloaded at one time into the computer system. Appraisers also individually gather and record specific and particular information to the appraisal file records, which serves as the basis for the valuation of mineral properties. P&A is divided into four district offices covering different geographic areas. Each office has a district manager, appraisal and ownership maintenance staff, and clerical staff as appropriate. While overall standards of performance are established and upheld for the various district offices, quality of data is emphasized as the goal and responsibility of each appraiser.

VALUATION ANALYSIS (MODEL CALIBRATION)

Appropriate revisions and/or enhancements of schedules or discounted cash flow software are annually made and then tested prior to the appraisals being performed. Calibration typically involves performing multiple discounted cash flow tests for leases with varying parameter input to check the correlation and relationship of such indicators as: Dollars of Value Per Barrel of Reserves; Dollars of Value Per Daily Average Barrel Produced; Dollars of Expense Per Daily Average Barrel Produced; Years Payout of Purchase Price (Fair Market Value). In a more classical calibration procedure, the validity of values by P&A's income approach to value is tested against actual market transactions, if and when these transactions and verifiable details of these transactions are disclosed to P&A. Of course these transactions must be analyzed for meeting all requisites of fair market value definition. Any conclusions of this analysis are then compared to industry benchmarks for reasonableness before being incorporated into the calibration procedure.

INDIVIDUAL VALUE REVIEW PROCEDURES

Individual property values are reviewed several times in the appraisal process. P&A's discounted cashflow software dynamically generates various benchmark indicators that the appraiser reviews concurrent with the value being generated. These benchmarks often prompt the appraiser to reevaluate some or all of the parameters of data

USPAP STANDARDS 5, 6-1, 6-2: MASS APPRAISAL OF INDUSTRIAL, UTILITY AND RELATED PERSONAL PROPERTY

INTRODUCTION

Definition of Appraisal Responsibility (Scope of Effort): The Engineering Services Department of Pritchard & Abbott, Inc. (P&A) is responsible for developing fair and uniform market values for industrial, utility and personal properties.

P&A's typical client is a governmental entity charged with appraisal responsibility for ad valorem tax purposes, although other types of clients (private businesses, individuals, etc.) occasionally contract for appraisal services which are strictly for various non-ad valorem tax purposes so that no conflicts of interest are created with P&A's core ad valorem tax work.

P&A hereby makes the **assumption** that, in all appraisal assignments performed for governmental entities in satisfaction of contractual obligations related to ad valorem tax, the client does not wish to or cannot legally request the appraisal report not identify the client.

Intended users of our reports are typically the client(s) for which we are under direct contract. Although taxpayers or their agents who own and/or represent the subject property being appraised often receive these reports either by law or as a courtesy of the client or P&A, this receipt does not mean these parties automatically become Intended Users as defined by USPAP. **A party receiving a copy of a report in order to satisfy disclosure requirements does not become an intended user of the appraisal or mass appraisal unless the appraiser specifically identifies such party as an intended user.** Potential other users include parties involved in adjudication of valuation disputes (review board members, lawyers, judges, etc.), governmental agencies which periodically review our appraisals for various statutory purposes (such as the Texas Comptroller's Office) and private parties who may obtain copies of our appraisals through Open Records Requests made to governmental agencies.

This section of P&A's USPAP report is not applicable to any Industrial, Utility, or related Personal Property that an appraisal district appraises outside of P&A's appraisal services, in which case the appraisal district's overall USPAP report should be referenced.

P&A makes the **Extraordinary Assumption** that all properties appraised for ad valorem tax purposes are marketable whereas ownership and title to property are free of encumbrances and other restrictions that would affect fair market value to an extent not obvious to the general marketplace. If and/or when we are made aware of any encumbrances, etc., these would be taken into account in our appraisal in which case the extraordinary assumption stated above would be revoked.

P&A is typically under contract to determine current market value or "fair market value" of said industrial, utility, and related personal property. Fair market value is typically described as the price at which a property would sell for if:

- exposed in the open market with a reasonable time for the seller to find a purchaser;
- both the buyer and seller know of all the uses and purposes to which the property is, or can be, adapted and of the enforceable restrictions on its use; and

Data: A set of data characteristics (i.e. original cost, year of acquisition, quantities, capacities, net operating income, property description, etc.) for each industrial, utility and personal property is collected from various sources. This data is maintained in either hard copy or computer files. Each property's characteristic data drives the appropriate computer-assisted appraisal approach to valuation.

Information Systems: P&A's mainframe computer system is composed of in-house custom software augmented by schedules and databases that reside as various applications on personal computers (PC). P&A offers a variety of systems for providing property owners and public entities with information services.

VALUATION APPROACH (MODEL SPECIFICATION)

Concepts of Value: The valuation of industrial, utility and personal properties is not an exact science, and exact accuracy is not attainable due to many factors. These are considered complex properties and some are considered Special Purpose properties. Nevertheless, standards of reasonable performance do exist, and there are reliable means of measuring and applying these standards.

The evaluation and appraisal of industrial, utility and personal property relies heavily on the discovery of the property followed by the application of recognized appraisal techniques. The property is subject to inflation and depreciation in all forms. The appraisal of industrial and personal property involves understanding petroleum, chemical, steel, electrical power, lumber and paper industry processes along with a myriad of other industrial processes. Economic potential for this property usually follows either the specific industry or the general business economy. The appraisal of utility properties involves understanding telecommunications, electrical transmission and distribution, petroleum pipelines and the railroad industry. Utility properties are subject to regulation and economic obsolescence. The examination of utility property involves the understanding of the present value of future income in a regulated environment.

The goal for valuation of industrial, utility and personal properties is to appraise all taxable property at "fair market value". The Texas Property Tax Code defines Fair Market value as the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

- exposed for sale in the open market with a reasonable time for the seller to find a purchaser;
- both the seller and the purchaser know of all the uses and purposes to which the property is adapted and for which it is capable of being used and of the enforceable restrictions on its use; and
- both the seller and purchaser seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.

Approaches to Value for Industrial, Utility, and Personal Property

Cost Approach: The use of cost data in an appraisal for market value is based upon the economic principle of substitution. This method is most readily applicable to the appraisal of industrial and personal property and some utility property. Under this method, the market value of property equals the value of the land plus the current cost of improvements less accrued depreciation. An inventory of the plant improvements and machinery and equipment is maintained by personally inspecting each facility every year. **As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., relies predominantly on the cost approach to value in the appraisal of industrial, utility, and personal property.**

DATA COLLECTION/VALIDATION

Sources of Data: The main source of P&A's property data for industrial and personal property is through fieldwork by the appraisers and commercially/publicly available schedules developed on current costs. Data for performing utility appraisals is typically provided by the taxpayer or is otherwise available at various regulatory agencies (Texas Railroad Commission, Public Utilities Commission, FERC, et. al.). Other discovery tools are financial data from annual reports, information from chief appraisers, renditions, tax assessors, trade publications and city and local newspapers. Other members of the public often provide P&A information regarding new industry and other useful facts related to property valuation.

Data Collection Procedures: Electronic and field data collection requires organization, planning and supervision of the appraisal staff. Data collection procedures have been established for industrial and personal properties. Appraisers gather and record information in the mainframe system, where customized programs serve as the basis for the valuation of industrial, utility and personal properties. P&A is divided into multiple district offices covering different geographic zones. Each office has a district manager and field staff. While overall standards of performance are established and upheld for the various district offices, quality of data is emphasized as the goal and responsibility of each appraiser. Additionally, P&A's Engineering Services Department provides supervision and guidance to all district offices to assist in maintaining uniform and consistent appraisal practices throughout the company.

EXHIBIT

C

CAD + GLI

Sales Ratio Report

As Of: 8/11/2022 Tax Year: 2022 Values - Final Sale Price - Adjusted

APPRAISAL

Property ID Quick Ref ID Abstract / Sub Map ID	Sitius Address Legal Description TU Group Appraiser / NBHD	Area Class Good FUN	Eff Yr Act Yr % COM ECO	Total Mkt Value				Imp1 Desc Imp2 Desc Imp3 Desc Val/Sft Price/Sft	Sale Type Sale Date Sale Price Ratio %
				Impv Value	Land Value	Lnd Acres	Land Ratio		
R18277	FM 1953	0		\$0	\$190,390			Buyer	04/08/2021
A0295	A029S A Varela-Shiloh, ACRES 48.818			48.82	100.00				\$172,500
L9	CAD, GLI, RDB, RFM, SME DB / SME			100.00	0.00		\$0.00	\$0.00	110.37
R10065	201 QUINCY	3,740	1991	\$224,350	\$28,130			RESIDENCE	MLS-Confidential
R10065, R13106	A197/CL R Flippin ICL, ACRES 0.943	F3	1956	3.41	11.14				01/31/2022
A197/CL	CAD, CKO, GLI, HOS, RDB, RFM, SGR DB / SGR	63		100.00	0.00		\$67.51	\$74.43	\$278,359
R10088	1678 FM 147	948	1991	\$39,290				RESIDENCE	Buyer
R10088	A193 D Ford, ACRES 5.489	M3P	1989	\$15,320	\$23,970			SHEDS (10)	03/18/2022
A193		35		5.49	61.01				\$80,000
E12-13	CAD, GLI, HOS, RDB, RFM, SGR DB / SGR	50		100.00	0.00		\$41.45	\$84.39	49.11
R10090	112 MEADOW LANE	2,270	1998	\$185,480				RESIDENCE	MLS-Confidential
R10090	Oliver Addition Groesbeck, Lot 024	M5	1976	\$164,530	\$20,950				11/19/2021
OLI		74		0.57	11.30				\$192,500
	CAD, CGR, GLI, HOS, RDB, RFM, SGR DB / SGR			100.00	0.00		\$81.71	\$84.80	96.35

Sales Ratio Report

As Of: 8/11/2022 Tax Year: 2022 Values - Final Sale Price - Adjusted

APPRAISAL

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R10522	LCR 762	0		\$0	\$161,280	\$161,280		MLS-Confidential
R10522	A021W M R Palacios-West, ACRES 35.84			35.84	100.00			08/24/2021 \$164,500
A021W	CAD,ESD2W,GLI,HOS,RDB,RFM,SGR			100.00	0.00		\$0.00 \$0.00	98.04
H14	DB / SGR							
R10680	A001W J N Acosta-West, ACRES 251.1	0		\$400	\$1,596,300	\$1,596,700		MLS-Confidential
R10680,R10681				532.10	99.97			03/03/2021 \$1,414,544
A001W	CAD,GLI,HOS,RDB,RFM,SGR			100.00	0.00		\$0.00 \$0.00	112.88
G12	DB / SGR							
R10790	507 S NARCISSUS	1,670	2002	\$29,570	\$3,450	\$33,020	Misc. Improvement	Buyer
R10790	Block 003 Kosse, Lot 009 - 010	PB2	2006	0.26	10.45		Mobile Home	04/28/2021 \$34,710
DIV003K	CAD,CKO,GLI,HOS,RDB,RFM,SGR	95		100.00	0.00		\$19.77 \$20.78	95.13
	DB / SGR							
R10864	MIGNONETTE	0		\$0	\$15,180	\$15,180		MLS-Confidential
R10864	Block 054 Kosse, Lot 008 - 010			0.40	100.00			10/07/2021 \$15,000
DIV054K	CAD,CKO,GLI,HOS,RDB,RFM,SGR			100.00	0.00		\$0.00 \$0.00	101.20
	DB / SGR							
R10903	EIGHTEENTH ST	1,274	1941	\$0	\$5,010	\$5,010	RESIDENCE	Dead Info. 01/14/2022
R10903	RDIV 007-VII Thornton, BLOCK 002, ACRES 0.5	F3	1941	0.50	100.00			\$3,000
DIVVIITH	CAD,CTH,GLI,HOS,RDB,RFM,SGR			100.00	0.00		\$3.93 \$2.35	167.00
	DB / SGR							

Sales Ratio Report

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APPRAISAL

Property ID Quick Ref ID Abstract / Sub Map ID	Situation Address Legal Description TU Group Appraiser / NBHD	Eff Yr Act Yr % COM ECO	Area Class Good FUN	Total Mkt Value		Imp1 Desc		Sale Type					
				Impv Value	Land Value	Imp2 Desc	Imp3 Desc	Sale Date	Sale Price	Sale Price Ratio %			
R113615	LCR 755		0	\$5,850					03/11/2021				
R113615	Hickory Hill Lake Limestone, BLOCK A, Lot 008, ACRES 0.87			\$0	\$5,850								\$5,500
HICK				0.87	100.00								106.36
121A	CAD,ESD2W,GLI,HOS,RDB,RFM,SGR MY / SGR			100.00	0.00			\$0.00	\$0.00				\$0.00
R11371	1409 N FM 39	2021	2,765	\$1,655,390		Residential			MLS-Confidential				
R11371,R132136	A021E M R Palacios-East, ACRES 474.72		F2	\$212,090	\$1,443,300				05/28/2021				\$1,900,000
A021E			70	476.10	87.19								87.13
M10	CAD,GLI,HOS,RDB,RFM,SGR MY / SGR			100.00	0.00			\$598.69	\$687.16				
R113892	11023 W HWY 84	2000	400	\$68,780		Residential			Buyer				
R113892	A587 M White, ACRES 2.456	1997	M3	\$45,560	\$23,220				07/11/2022				\$80,000
A587			78	2.46	33.76								85.98
B4	CAD,GLI,RDB,RFM,SAX DB / SAX			100.00	0.00			\$171.95	\$200.00				
R11391	211 E YEAGUA	1985	2,722	\$95,930		RESIDENCE			MLS-Confidential				
R11391	Block 079 Groesbeck, Lot 006 - 008, 011(SE/15X115) & 10x115' ADJ		F3	\$70,890	\$25,040				05/10/2022				\$66,000
DIV079G			50	0.46	26.10								145.35
	CAD,CGR,GLI,HOS,RDB,RFM,SGR DB / SGR			100.00	0.00			\$35.24	\$24.25				
R11449	702 E JACINTO	1998	1,775	\$122,990		RESIDENCE			Buyer				
R11449	Partview Addition Groesbeck, BLOCK 002, Lot 010	1981	M5	\$108,400	\$14,590				11/05/2021				\$123,000
PKV			70	0.39	11.86								99.99
	CAD,CGR,GLI,HOS,RDB,RFM,SGR DB / SGR		78	100.00	0.00			\$69.29	\$69.30				

Sales Ratio Report

As Of: 8/11/2022 Tax Year: 2022 Values - Final Sale Price - Adjusted

APPRAISAL

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				Impv Value Lnd Acres Imp Adj	Land Value Land Ratio Land Adj		
R117220	118 PR 5374	0		\$43,920			Deed Info.
R117220	A030HR Honest Ridge Land Co, TRACT 10, ACRES 5.69			\$0	\$43,920		01/05/2021 \$35,964
A030HR				5.69	100.00		
G7	CAD,GLI,HOS,RDB,RFM,SGR DB / SGR			100.00	0.00	\$0.00	\$0.00 122.12
R117220	118 PR 5374	0		\$43,920			Buyer
R117220	A030HR Honest Ridge Land Co, TRACT 10, ACRES 5.69			\$0	\$43,920		02/01/2021 \$34,140
A030HR				5.69	100.00		
G7	CAD,GLI,HOS,RDB,RFM,SGR DB / SGR			100.00	0.00	\$0.00	\$0.00 128.65
R117278	2033 LCR 454	0		\$46,390			MLS-Confidential
R117278	A029S A Varela-Shiloh, ACRES 5	MB2		\$15,890	\$30,500	Residential	04/12/2021 \$45,000
A029S		95		5.00	65.75		
K8	CAD,GLI,RDB,RFM,SME MY / SME			100.00	0.00	\$0.00	\$0.00 103.09
R11729	120 FROST CREEK AVE	2,059	2009	\$186,800		RESIDENCE	MLS-Confidential
R11729	Durham Addition Sec 1 Groesbeck, BLOCK 002, Lot 010	M5	1983	\$170,850	\$15,950		05/07/2021 \$181,000
DUR1	CAD,CGR,GLI,HOS,RDB,RFM,SGR DB / SGR	88		0.37	8.54		
				100.00	0.00	\$90.72	\$87.91 103.20
R11765	419 E RAWLS	1,211	1991	\$41,010		RESIDENCE	MLS-Confidential
R11765	RDIV 067-LXVII Groesbeck, BLOCK 003, (80X135X148.8X151.54')	F2P		\$30,410	\$10,600		04/28/2021 \$40,000
DIVLXVIIIG		62		0.37	25.85		
	CAD,CGR,GLI,HOS,RDB,RFM,SGR DB / SGR			100.00	0.00	\$33.86	\$33.03 102.53

Sales Ratio Report

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APPRAISAL

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				Impv Value	Land Value	Land Ratio	Land Adj	Imp2 Desc	Imp3 Desc	Val/Sft	Price/Sft	Sale Date	Sale Price	Ratio %		
R11998	MARSHALL ST		0	\$0	\$1,250		\$1,250						Buyer	11/09/2021		
R11998	Block 012 Thornton, Lot 011 - 012, (N/25X100' of each Lot)			0.11	100.00										\$1,500	
DIV012TH	CAD, CTH, GLI, HOS, RDB, RFM, SGR DB / SGR			100.00	0.00				\$0.00	\$0.00						83.33
R12229	296 LCR 421	1999	1,904	\$125,580	\$41,800		\$167,380						MODULAR HOME	MLS-Confidential		
R12229	A001E J.N. Acosta-east, ACRES 5.36, MODEL MODULAR HOME	1986	F4P	5.36	24.97									06/03/2021	\$195,000	
A001E	CAD, GLI, HOS, RDB, RFM, SGR		75	100.00	0.00				\$87.91	\$102.42						85.84
K10	DB / SGR															
R12634	110 N ELLIS ST		0	\$24,110	\$6,320		\$30,430						COMMERCIAL	Buyer	03/22/2021	\$30,000
R12634	Block 058 Groesbeck, Lot 006 - 007, (N48.5X50 ft 6) (NW/48.5X25 ft 7)		RTS1	0.00	20.77											
DIV058G	CAD, CGR, GLI, HOS, RDB, RFM, SGR EAGLE / SGR		40	100.00	0.00				\$0.00	\$0.00						101.43
R1279	304 KIRVEN	1972	756	\$12,550	\$1,280		\$13,830						RESIDENCE	Buyer	03/23/2022	\$17,000
R1279	Original Township Coolidge, BLOCK 028, Lot 004	2011	F2P	0.17	9.26											
OT	CAD, CCO, GLI, RDB, RFM, SCO DB / SCO		37	100.00	0.00				\$18.29	\$22.49						81.35
R12976	S MAIN		0	\$0	\$8,180		\$8,180							Deed Info.		
R12976, R9348, R9349	Markham Addition Kosse, BLOCK 002, Lot 009, & 011-013			0.75	100.00										01/14/2022	\$9,900
MARKHAM	CAD, CKO, GLI, HOS, RDB, RFM, SGR DB / SGR			100.00	0.00				\$0.00	\$0.00						82.63

Sales Ratio Report

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APPRAISAL

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				Imp Value Lnd Acres Imp Adj Land Adj	Land Value Land Ratio		
R13137	292 LCR 635	3,512		\$387,650			MLS-Confidential
R13137,R13139,R13549	A437 T P Plasters, ACRES 4.23			\$310,570	\$77,080		01/15/2021
A437				11.01	19.88		\$420,000
F11-F12	CAD,GLI,HOS,RDB,RFM,SGR DB / SGR			100.00	0.00	\$110.38 \$119.59	92.30
R131708	1220 HINCHLIFFE RD	3,383	2014	\$719,080		M6P RES	MLS-Confidential
R131708	A030M P Varela-Mexia ICL, BLOCK 047, ACRES 40	M6P	2014	\$449,750	\$269,330	BARN	03/16/2022
A030M		97	100	40.00	37.45		\$690,000
L6	CAD,CME,GLI,RDB,RFM,SME DB / SME			100.00	0.00	\$212.56 \$203.96	104.21
R131731	912 MCCLINTIC	1,420	2006	\$123,960		F4 RES	MLS-Confidential
R131731	A Varela -G- Old Mexia Hwy, ACRES 0.661	F4P	2008	\$105,240	\$18,720		06/30/2022
OMIH		84		0.66	15.10		\$140,000
H11	CAD,CGR,GLI,HOS,RDB,RFM,SGR DB / SGR			100.00	0.00	\$87.30 \$98.59	88.54
R132933	LCR 728	0		\$831,560			MLS-Confidential
R132933,R132934	A104 J. Copeland, ACRES 229.59			\$1,570	\$829,990		10/01/2021
A104				259.98	99.81		\$767,000
F16	CAD,GLI,HOS,RDB,RFM,SGR DB / SGR			100.00	0.00	\$0.00 \$0.00	108.42
R133122	200 LCR 779	0		\$19,710			Deed Info.
R133122	Wayland Crossing Lake Limestone, BLOCK E, Lot 013 - 016			\$0	\$19,710		03/11/2021
WAY				2.04	100.00		\$19,500
116B	CAD,ESD2W,GLI,HOS,RDB,RFM,SGR MY / SGR			100.00	0.00	\$0.00 \$0.00	101.08

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APPRAISAL

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				Impv Value	Land Value	Impv Value	Land Value	Imp2 Desc	Imp3 Desc	Val/Sft	Price/Sft	Sale Date	Sale Price	Ratio %		
R133991	W HWY 164		0	\$24,890										Buyer	05/26/2021	
R133991	A252 S Hall, ACRES 5.41			\$0	\$24,890											\$22,000
A252				5.41	100.00											113.14
E10	CAD, GLI, HOS, RDB, RFM, SGR			100.00	0.00					\$0.00	\$0.00					
	DB / SGR															
R133998	708 LCR 779	2007	1,664	\$200,290										RESIDENCE	MLS-Confidential	
R133998	Wayland Crossing Lake Limestone, BLOCK B, Lot 023 - 025, 088-089, (PT OF 23&89)	1990	F5P	\$176,680	\$23,610										01/25/2021	\$245,000
WAY			85	2.08	11.79											
116B	CAD, ESD2W, GLI, HOS, RDB, RFM, SGR			100.00	0.00					\$120.37	\$147.24					81.75
	MY / SGR															
R134279	W HWY 164		0	\$116,380										Buyer	03/16/2021	
R134279	A364 H McLauren, ACRES 26.45			\$0	\$116,380											\$83,301
A364				26.45	100.00											
B7	CAD, GLI, RDB, RFM, SMA			100.00	0.00					\$0.00	\$0.00					139.71
	DB / SMA															
R134393	205 LCR 517	2017	672	\$183,490										SLT, & MISC IMPS	MLS-Confidential	
R134393	A126 W R Cannon, ACRES 29.71, MH ON M131255	2017	F3	\$45,270	\$138,220										01/15/2021	\$215,000
A126			97	29.71	75.33											
M7	CAD, GLI, RDB, RFM, SME			100.00	0.00					\$273.05	\$319.94					85.34
	MY / SME															
R134507	LCR 444		0	\$98,000										STORAGE BUILDING	MLS-Confidential	
R134507	A021 M R Palacios, ACRES 20			\$2,500	\$95,500										03/04/2021	\$165,000
A021				20.00	97.45											
L10	CAD, GLI, HOS, RDB, RFM, SGR			100.00	0.00					\$0.00	\$0.00					59.39
	KW / SGR															

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Property ID Quick Ref ID Abstract / Sub Map ID	Situs Address Legal Description TU Group Appraiser / NBHD	Area Class Good FUN	Total Mkt Value		Imp1 Desc Imp2 Desc Imp3 Desc Val/Sft Price/Sft	Sale Type Sale Date Sale Price Ratio %
			Impv Value Lnd Acres Imp Adj	Land Value Land Ratio Land Adj		
R137321	FM 937	0	\$238,180			Buyer
R137321	A004W J L Chavert-West, ACRES 68.05		\$0	\$238,180		05/25/2021
A004W			68.05	100.00		\$272,200
H15	CAD,ESD2W,GLI,HOS,RDB,RFM,SGR		100.00	0.00	\$0.00	\$0.00
	DB / SGR					87.50
R137345	W HWY 171	0	\$180,000			Deed Info.
R137345	A324 J Lee, ACRES 40		\$0	\$180,000		01/23/2021
A324			40.00	100.00		\$199,900
I2	CAD,GLI,RDB,RFM,SCO		100.00	0.00	\$0.00	\$0.00
	DB / SCO					90.05
R137360	FM 1951	0	\$389,070			Buyer
R137360	A491 R Scott, TRACT 42, ACRES 129.69		\$0	\$389,070		12/14/2021
A491			129.69	100.00		\$382,000
I4	CAD,GLI,RDB,RFM,SCO		100.00	0.00	\$0.00	\$0.00
	SA / SCO					101.85
R137385	FM 937	0	\$322,880			Buyer
R137385	A004W J L Chavert-West, ACRES 92.25		\$0	\$322,880		07/09/2021
A004W			92.25	100.00		\$349,152
H15	CAD,ESD2W,GLI,HOS,RDB,RFM,SGR		100.00	0.00	\$0.00	\$0.00
	DB / SGR					92.48
R137386	S HWY 14	0	\$4,730			Buyer
R137386	A030 P Varela, TRACT BELL PLACE, ACRES 1.35		\$0	\$4,730		06/30/2021
A030			1.35	100.00		\$2,970
J8	CAD,GLI,RDB,RFM,SME		100.00	0.00	\$0.00	\$0.00
	DB / SME					159.26

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Property ID Quick Ref ID Abstract / Sub Map ID	Situation Address Legal Description TU Group Appraiser / NBHD	Eff Yr Act Yr % COM ECO	Area Class Good FUN	Total Mkt Value				Imp1 Desc			Sale Type				
				Impv Value	Land Value	Land Acres	Land Ratio	Imp2 Desc	Imp3 Desc	Val/Sft	Price/Sft	Sale Date	Sale Price	Ratio %	
R14118	448 LCR 300	2010	960	\$206,050				MAIN AREA				Buyer			
R14118	A456 Wm Pettus, ACRES 44.153	2015	F2P	\$44,010	\$162,040							05/20/2021	\$233,000		
A456			90	44.15	78.64										
A4	CAD, GLI, RDB, RFM, SMA DB / SMA			100.00	0.00				\$214.64	\$242.71				88.43	
R14356	1015 E HOPKINS	2001	3,174	\$312,080				RESIDENCE				MLS-Confidential			
R14356	RDIV 025-XXV Mexia, BLOCK B, Lot 001 - 002, (N/30' OF 2) & 0'13-0'14(W/80') & 20' ALLEY	1984	M5P	\$297,510	\$14,570							01/10/2022	\$312,500		
DIVXXVM	CAD, CME, GLI, RDB, RFM, SME DB / SME		80	0.50	4.67				\$98.32	\$98.46				99.87	
R14729	705 FM 2838	1989	1,498	\$59,760				RESIDENCE				MLS-Confidential			
R14729	A030 P. Varela, BLOCK 004, ACRES 2.99	1979	F3	\$33,120	\$26,640							01/23/2021	\$52,500		
A030			40	2.99	44.58										
K5	CAD, GLI, RDB, RFM, SME DB / SME			100.00	0.00				\$39.89	\$35.05				113.83	
R14731	2011 FM 3119	2010	2,221	\$219,320				FRAME RESIDENCE				Buyer			
R14731, R137455	A020 L. Norvell, ACRES 4.27	2005	F4P	\$181,160	\$38,160							08/20/2021	\$214,900		
A020			90	4.79	17.40										
L4	CAD, GLI, RDB, RFM, SME DB / SME			100.00	0.00				\$98.75	\$96.76				102.06	
R14919	701 N BAILEY	1993	3,579	\$293,240				M6 RES				Buyer			
R14919	RDIV 065-LXV Mexia, BLOCK B, 208.7 X 208.7		M5P	\$249,560	\$43,680							03/11/2021	\$203,000		
DIVLXVM	CAD, CME, GLI, RDB, RFM, SME DB / SME		72	1.00	14.90				\$81.93	\$56.72				144.45	

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Property ID Quick Ref ID Abstract / Sub Map ID	Situs Address Legal Description TU Group Appraiser / NBHD	Eff Yr Act Yr % COM ECO	Area Class Good FUN	Impv Value Lnd Acres Imp Adj	Land Value Land Ratio Land Adj	Total Mkt Value	Imp1 Desc Imp2 Desc Imp3 Desc Val/Sft Price/Sft	Sale Type Sale Date Sale Price Ratio %
R15538	LCR 202		576	\$325,330		\$325,330	MH 12X48 & OB'S	MLS-Confidential
R15538	A570 A C Wingate, ACRES 100		T2S	\$25,330	\$300,000			11/09/2021
A570			70	100.00	92.21			\$504,000
J5	CAD, GLI, RDB, RFM, SME DB / SME			100.00	0.00		\$564.81 \$875.00	64.55
R15561	200 S CANTON	1986	2,968	\$141,010		\$141,010	RESIDENCE	MLS-Confidential
R15561	Block 169 Mexia, Lot 006 - 008	1954	F4P	\$127,550	\$13,460			06/11/2021
DIV169M	CAD, CME, GLI, RDB, RFM, SME DB / SME		56	0.40	9.55		\$47.51 \$45.15	\$134,000 105.23
R15570	LCR 406		0	\$50,320		\$50,320		MLS-Confidential
R15570	A029W A Varela-Woodland, ACRES 6.8			\$0	\$50,320			08/13/2021
A029W				6.80	100.00			\$52,900
J9	CAD, GLI, RDB, RFM, SME DB / SME			100.00	0.00		\$0.00 \$0.00	95.12
R15731	1111 HUISACH	1997	1,901	\$147,540		\$147,540	RESIDENCE	Buyer
R15731	Spanish Hills Unit 3A Mexia, BLOCK 001, Lot 005-006		M5	\$133,460	\$14,080			04/05/2021
SPH3	CAD, CME, GLI, RDB, RFM, SME DB / SME		64	0.40	9.54		\$77.61 \$73.65	\$140,000 105.39
R15739	1106 HUISACH	2011	1,723	\$186,270		\$186,270	M5 BRICK RES	MLS-Confidential
R15739	Spanish Hills Unit 3A Mexia, BLOCK 002, Lot 004	2004	M5P	\$179,230	\$7,040			12/03/2021
SPH3	CAD, CME, GLI, RDB, RFM, SME MY / SME		90	0.20	3.78		\$108.11 \$105.63	\$182,000 102.35

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Property ID	Situs Address	Area	Eff Yr	Total Mkt Value	Imp1 Desc	Sale Type
Quick Ref ID	Legal Description	Class	Act Yr	Impv Value	Imp2 Desc	Sale Date
Abstract / Sub	TU Group	Good	% COM	Lnd Acres	Imp3 Desc	Sale Price
Map ID	Appraiser / NBHD	FUN	ECO	Imp Adj	Vai/Sft Price/Sft	Ratio %
R15925	402 FT PARKER DR	1,577	2003	\$151,260	RESIDENCE	MLS-Confidential
R15925	Northview Heights Addition Sec 4 Mexia, BLOCK D, Lot 029-030	M4P	1982	\$129,240		06/11/2021
NVH4	CAD,CME,GLI,RDB,RFM,SME	82		0.53		\$142,000
	MY / SME			100.00	\$95.92	\$90.04
						106.52
R15931	1275A LCR 443	2,040		\$285,800	Residential	Buyer
R15931	A365 J C McDaniel, ACRES 13.19	F5P		\$217,630		08/13/2021
A365		98		13.19		\$236,000
M8	CAD,GLI,RDB,RFM,SME			100.00	\$140.10	\$115.69
	DB / SME					121.10
R16025	209 RED BIRD	1,296	1998	\$104,210	RESIDENCE	Buyer
R16025	Wright Place Addition Mexia, BLOCK 002, Lot 002 - 003, (N30' OF 3)	M4P	1976	\$96,120		03/10/2022
WRP	CAD,CME,GLI,RDB,RFM,SME	75		0.29		\$90,000
	DB / SME			100.00	\$80.41	\$69.44
						115.79
R16032	264 S HACKBERRY	0		\$2,830	RESIDENCE NO VALUE	Deed Info.
R16032	Thompson Hwy 14, Addition Mexia, BLOCK A, Lot 024, ACRES 0.5			\$0		11/05/2021
THOMH	CAD,CME,GLI,RDB,RFM,SME			0.50		\$4,000
	DB / SME			100.00	\$0.00	\$0.00
						70.75
R16248	308 S RED RIVER	1,140	2003	\$90,470	Residential	MLS-Confidential
R16248	Division H Mexia, BLOCK 006, 70X190'	F4	1998	\$80,100		09/27/2021
DIVH	CAD,CME,GLI,RDB,RFM,SME	80		0.31		\$89,400
	DB / SME			100.00	\$79.36	\$78.42
						101.20

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Property ID Quick Ref ID Abstract / Sub Map ID	Situs Address Legal Description TU Group Appraiser / NBHD	Eff Yr Act Yr % COM ECO	Area Class Good FUN	Total Mkt Value Impv Value Land Value Lnd Acres Land Ratio Imp Adj Land Adj	Imp1 Desc Imp2 Desc Imp3 Desc Val/Sft Price/Sft	Sale Type Sale Date Sale Price Ratio %	Deed Info.
R16588	522 W TITUS	1977	1,440	\$18,560	RESIDENCE		03/01/2022
R16588,R16589,R16590	Division S Mexia, BLOCK 011, Lot 001, (LESS NE/80X90')	1944	F3P	\$0 \$18,560			\$11,020
DIVS	CAD,CME,GLI,RDB,RFM,SME MY / SME			1.29 100.00	\$12.89 \$7.65		168.42
R16731	1222 MAIN		0	\$3,250			
R16731	RDIV 031-XXXI Mexia, BLOCK 002C, Lot 019			\$0 \$3,250			11/05/2021
DIVXXXIM	CAD,CME,GLI,RDB,RFM,SME DB / SME			0.15 100.00	\$0.00 \$0.00		\$3,250 100.00
R16928	LCR 443		0	\$216,410			MLS-Confidential
R16928	A312 J Lloyd, ACRES 55.49			\$0 \$216,410			02/11/2021
A312				55.49 100.00	\$0.00 \$0.00		\$188,520
M8	CAD,GLI,RDB,RFM,SME ARB / SME			100.00 0.00			114.79
R16956	1129 E MAIN	1965	600	\$2,880	RESIDENCE		
R16956	RDIV 039-XXXIX Mexia, BLOCK B, Lot 004	1951	F2	\$0 \$2,880			04/08/2021
DIVXXXIXM	CAD,CME,GLI,RDB,RFM,SME DB / SME			0.13 100.00	\$4.80 \$4.80		\$2,880 100.00
R17114	255 B CEDAR	2000	1,232	\$125,050	Residential	Buyer	
R17114	Lake Mexia Cedar, BLOCK B, Lot 017 - 018	1996	F3P	\$62,550 \$62,500			01/26/2021
CEDAR	CAD,GLI,RDB,RFM,SME DB / SME			0.00 49.98	\$101.50 \$97.40		\$120,000 104.21

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Property ID Quick Ref ID Abstract / Sub Map ID	Situation Address Legal Description TU Group Appraiser / NBHD	Eff Yr Act Yr % COM ECO	Area Class Good FUN	Total Mkt Value		Imp1 Desc		Sale Type Sale Date Sale Price Ratio %
				Impv Value Lnd Acres Imp Adj	Land Value Land Ratio Land Adj	Imp2 Desc Imp3 Desc Val/Sft Price/Sft	Imp2 Desc Imp3 Desc Val/Sft Price/Sft	
R17870	306 S RED RIVER	1989	1,039	\$62,650		RESIDENCE		Buyer
R17870	Division H Mexia, BLOCK 006, 105X290 & 70X100'	1991	M3P	\$33,440	\$29,210			04/20/2021 \$60,000
DIVH		80	55	0.86	46.62			
	CAD,CME,GLI,RDB,RFM,SME		85	100.00	0.00		\$60.30	\$57.75 104.42
	DB / SME							
R17919	1217 E TITUS		0	\$3,250				Deed Info.
R17919	RDIV 031-XXXI Mexia, BLOCK 001B, Lot 007			\$0	\$3,250			03/01/2022 \$4,200
DIVXXXIM				0.15	100.00			
	CAD,CME,GLI,RDB,RFM,SME			100.00	0.00		\$0.00	\$0.00 77.38
	DB / SME							
R18372	541 LCR 504	1988	1,870	\$119,210		RESIDENCE		Buyer
R18372	A034 M R Alston, ACRES 16.36	1967	F3	\$62,630	\$56,580			11/08/2021 \$120,000
A034			60	16.36	47.46			
M6	CAD,GLI,RDB,RFM,SME			100.00	0.00		\$63.75	\$64.17 99.34
	DB / SME							
R18373	LCR 504	2005	0	\$287,240		EW BARN ADDED METR		Buyer
R18373	A034 M R Alston, ACRES 89.99	1997	MB2	\$17,270	\$269,970	BARN/HANGER		11/08/2021 \$280,000
A034			60	89.99	93.99			
M6	CAD,GLI,RDB,RFM,SME			100.00	0.00		\$0.00	\$0.00 102.59
	DB / SME							
R18404	447 LCR 242	1995	1,337	\$97,530		RESIDENCE		Deed Info.
R18404	A030 P. Varela, BLOCK 069, ACRES 1.83	1997	M3P	\$78,320	\$19,210			05/03/2022 \$88,814
A030			73	1.83	19.70			
L4	CAD,GLI,RDB,RFM,SME			100.00	0.00		\$72.95	\$66.43 109.81
	DB / SME							

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Property ID	Situs Address	Area	Total Mkt Value	Imp1 Desc	Sale Type
Quick Ref ID	Legal Description	Class	Impv Value	Imp2 Desc	Sale Date
Abstract / Sub	TU Group	Good	Lnd Acres	Imp3 Desc	Sale Price
Map ID	Appraiser / NBHD	FUN	Imp Adj	Val/Sft Price/Sft	Ratio %
R18717	519 LCR 502	1,107	\$74,370	RESIDENCE	MLS-Confidential
R18717	A372 E C Mitchell, ACRES 0.55	F3P	\$63,350		02/25/2022
A372		78	0.55		\$80,000
M6	CAD, GLI, RDB, RFM, SME		100.00	\$67.18	\$72.27
	DB / SME				92.96
R18760	452 LCR 252	0	\$729,960		Buyer
R18760	A019 S McAnulty, ACRES 240.82, (WORTHAM PLACE)		\$0		02/12/2021
A019			240.82		\$700,000
M3	CAD, GLI, RDB, RFM, SME		100.00	\$0.00	\$0.00
	MY / SME				104.28
R18870	W COMMERCE	0	\$8,710		Deed Info.
R18870	Highview North Addition Mexia, (200X317, 5[LESS 50X100])		\$0		03/11/2021
HIN	CAD, CME, GLI, RDB, RFM, SME		1.34		\$6,600
	DB / SME		100.00	\$0.00	\$0.00
R18936	102 S MAIN	1,056	\$75,780	F4 RESIDENCE	MLS-Confidential
R18936	Block 005 Tehuacana, (98.5X140)	F4	\$66,300		07/27/2021
DIV005TE		80	0.31		\$80,000
K3	CAD, CTE, GLI, RDB, RFM, SME		100.00	\$71.76	\$75.76
	DB / SME				94.73
R19002	1305 E COMMERCE	0	\$6,100	.D HOUSE HAS NO VALI	Deed Info.
R19002	RDIV 041-XLI Mexia, BLOCK D, Lot 018 - 019		\$0		03/01/2022
DIVXLIM	CAD, CME, GLI, RDB, RFM, SME		0.28		\$5,200
	DB / SME		100.00	\$0.00	\$0.00
			100.00	\$0.00	117.31

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				Impv Value	Land Value	Land Ratio		
R19294	804 MESQUITE LANE	2011	3,011	\$320,490			Residential	Buyer
R19294	Green Acres Addition Mexia, BLOCK 001, Lot 005	2001	M5P	\$290,940	\$29,550			02/10/2021
GRNA	CAD,CME,GLI,RDB,RFM,SME MY / SME		90	0.62	9.22			\$279,500
				100.00	0.00		\$106.44	\$92.83
R19469	1211 TAMARISK	1995	2,244	\$130,340			RESIDENCE	MLS-Confidential
R19469	Tamarisk View Addition Mexia, BLOCK 002, Lot 002	1972	M4	\$119,930	\$10,410			01/21/2022
TAMV	CAD,CME,GLI,RDB,RFM,SME DB / SME		73	0.37	7.99			\$147,000
				100.00	0.00		\$58.08	\$65.51
R19579	214 LCR WHTEROCK	2002	2,400	\$235,720			RESIDENCE	Buyer
R19579	Lake Mexia White Rock, Lot 008	1977	F5	\$193,220	\$42,500		WOOD DECK	01/21/2021
WHITE	CAD,GLI,RDB,RFM,SME DB / SME		80	0.00	18.03			\$225,000
				100.00	0.00		\$98.22	\$93.75
R19593	433 LCR 242	2011	0	\$215,690			AL BLDG/LIVING QUART	MLS-Confidential
R19593	A030 P. Varela, BLOCK 069, ACRES 5.86	2001	F4P	\$170,690	\$45,000			06/04/2021
A030	CAD,GLI,RDB,RFM,SME DB / SME		90	5.86	20.86			\$235,000
K4				100.00	0.00		\$0.00	\$0.00
R19663	1102 FAIRWAY	2001	2,232	\$184,860			RESIDENCE	Buyer
R19663	Northview Heights Addition Sec 2 Mexia, BLOCK F, Lot 002A	1987	M5	\$172,030	\$12,830			05/19/2021
NVH2	CAD,CME,GLI,RDB,RFM,SME MY / SME		80	0.31	6.94			\$177,000
				100.00	0.00		\$82.82	\$79.30

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Property ID	Quick Ref ID	Abstract / Sub Map ID	Situs Address	Legal Description	TU Group	Appraiser / NBHD	Eff Yr	Area Class	Good	FUN	ECO	Impv Value	Land Value	Land Acres	Land Ratio	Imp Adj	Land Adj	Total Mkt Value	Imp1 Desc	Imp2 Desc	Imp3 Desc	Val/Sft	Price/Sft	Sale Type	Sale Date	Sale Price	Ratio %			
R20058			620 N ROSS				2003	2,280	F5P		ECO	\$168,490	\$13,570	0.46	7.45	100.00	0.00	\$182,060	RESIDENCE				RESIDENCE	MLS-Confidential	06/11/2021	\$209,000	87.11			
R20058			RDIV 058-LVIII Mexia, BLOCK D, Lot 001, (135X150')				1923	80																						
DIVLVIIIIM			CAD,CME,GLI,RDB,RFM,SME																											
			DB																											
R20178			909 S ROSS				2001	2,057	M4P		ECO	\$134,550	\$8,250	0.17	5.78	100.00	0.00	\$142,800	RESIDENCE				RESIDENCE	MLS-Confidential	05/21/2021	\$138,000	103.48			
R20178			South View Addition Mexia, BLOCK A, Lot 005 - 006, (PT OF 6)				1978	78																						
SWW			CAD,CME,GLI,RDB,RFM,SME																											
			MY																											
R20224			407 S ROSS				1999	2,435	F4P		ECO	\$150,940	\$10,140	0.30	6.30	100.00	0.00	\$161,080	RESIDENCE				RESIDENCE	Buyer	04/06/2021	\$156,000	103.26			
R20224			RDIV 024-XXIV Mexia, BLOCK A, Lot 004 - 005				1968	75																						
DIVXXIVM			CAD,CME,GLI,RDB,RFM,SME																											
			MY																											
R20226			800 E MAIN				1982	2,320	F3		ECO	\$53,040	\$18,140	0.53	25.48	100.00	0.00	\$71,180	RESIDENCE				RESIDENCE	MLS-Confidential	01/18/2022	\$55,000	129.42			
R20226			RDIV 035-XXXV Mexia, BLOCK D, Lot 005 - 007				1979	45																						
DIVXXXVM			CAD,CME,GLI,RDB,RFM,SME																											
			DB																											
R20226			800 E MAIN				1982	2,320	F3		ECO	\$53,040	\$18,140	0.53	25.48	100.00	0.00	\$71,180	RESIDENCE				RESIDENCE	MLS-Confidential	07/27/2021	\$47,500	149.85			
R20226			RDIV 035-XXXV Mexia, BLOCK D, Lot 005 - 007				1979	45																						
DIVXXXVM			CAD,CME,GLI,RDB,RFM,SME																											
			DB																											

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				Impv Value	Land Value	Land Acres	Land Ratio	Imp2 Desc	Imp3 Desc	Val/Sft	Price/Sft	Sale Date	Sale Price	Ratio %		
R20925	1213 E TITUS	0		\$3,250												Deed Info.
R20925	RDIV 031-XXXI Mexia, BLOCK 001A, Lot 009			\$0	\$3,250											11/05/2021
DIVXXXIM				0.15	100.00											\$4,600
	CAD,CME,GLI,RDB,RFM,SME			100.00	0.00					\$0.00	\$0.00					70.65
	DB / SME															
R21257	720 E TITUS	1,800	2010	\$52,060												Deed Info.
R21257	Division H Mexia, BLOCK 006, Lot 004, SERIAL LH12TX7236A, TITLE # MH00442012. LABEL # NTA1568788. MAKE	T2D	2012	\$43,090	\$8,970											04/05/2022
DIVH		75		0.26	17.23											\$43,311
	CAD,CME,GLI,RDB,RFM,SME			100.00	0.00					\$28.92	\$24.06					120.20
	DB / SME															
R21261	814 COLLEGE AVE	0		\$3,220												Deed Info.
R21261	McClendon Addition Mexia, Lot 024 - 025			\$0	\$3,220											01/14/2022
MCC				0.26	100.00											\$3,220
	CAD,CME,GLI,RDB,RFM,SME			100.00	0.00					\$0.00	\$0.00					100.00
	DB / SME															
R21306	717 E MAIN	3,584	1979	\$79,690												Deed Info.
R21306	Division F Mexia, BLOCK 005, Lot 003 - 004	F3P	1951	\$70,720	\$8,970											MLS-Confidential
DIVF		40		0.26	11.26											02/14/2022
	CAD,CME,GLI,RDB,RFM,SME			100.00	0.00					\$22.23	\$20.93					\$75,000
	MY / SME															106.25
R21376	918 E HOPKINS	4,074	1999	\$242,020												Deed Info.
R21376	RDIV 021-XXI Mexia, BLOCK C, Lot 005 - 006, (W/12.5' OF 5)	F4P	1962	\$235,880	\$6,140											11/09/2021
DIVXXXIM		75		0.18	2.54											\$223,000
	CAD,CME,GLI,RDB,RFM,SME			100.00	0.00					\$59.41	\$54.74					108.53
	DB / SME															

Sales Ratio Report

As Of: 8/11/2022 Tax Year: 2022

Values - Final

Sale Price - Adjusted

APPRAISAL

Property ID	Situs Address	Area	Eff Yr	Total Mkt Value	Imp1 Desc	Sale Type
Quick Ref ID	Legal Description	Class	Act Yr	Impv Value	Imp2 Desc	Sale Date
Abstract / Sub	TU Group	Good	% COM	Lnd Acres	Imp3 Desc	Sale Price
Map ID	Appraiser / NBHD	FUN	ECO	Imp Adj	Val/Sft Price/Sft	Ratio %
R21509	1705 LCR 377	2,340	1989	\$104,370	RESIDENCE	Buyer
R21509	Lake Mexia Pecan, Lot 012	M3	1963	\$81,870		06/15/2021
PECAN		60		0.00		\$77,500
	CAD, GLI, RDB, RFM, SME			100.00	\$44.60	134.67
	DB / SME					
R21542	1302 TAMARISK	1,197	1995	\$104,980	RESIDENCE	MLS-Confidential
R21542	Tamarisk View Addition Mexia, BLOCK 003, Lot 009	M5	1976	\$92,690		08/19/2021
TAMV		70		0.43		\$79,000
	CAD, CME, GLI, RDB, RFM, SME	90		100.00	\$87.70	132.89
	DB / SME					
R21550	312 E ROBERTS	1,226	1974	\$18,320	RESIDENCE	Buyer
R21550	Sunset Central Addition Mexia, BLOCK 007, Lot 006 - 007	F2P	1964	\$14,520		03/17/2022
SSC		25		0.26		\$12,000
	CAD, CME, GLI, RDB, RFM, SME	90		100.00	\$14.94	152.67
	DB / SME					
R21625	1017 E GLENDALE	1,413	2007	\$95,730	RESIDENCE	MLS-Confidential
R21625	RDIV 020-XX Mexia, BLOCK 002, Lot 011 - 012	M3P	1966	\$87,020		11/18/2021
DIVXXM		85		0.30		\$97,000
	CAD, CME, GLI, RDB, RFM, SME			100.00	\$67.75	98.69
	MY / SME					
R21698	491C LCR 437	768	2011	\$329,410	OUT BLDGS	MLS-Confidential
R21698	A029S A Varela-Shiloh, ACRES 80	F3	2015	\$41,910	Residential	05/21/2021
A029S		90		80.00		\$350,000
L7	CAD, GLI, RDB, RFM, SME			100.00	\$428.92	94.12
	MY / SME					

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Property ID Quick Ref ID Abstract / Sub Map ID	Situs Address Legal Description TU Group Appraiser / NBHD	Eff Yr Act Yr % COM ECO	Area Class Good FUN	Total Mkt Value				Imp1 Desc			Sale Type Sale Date Sale Price Ratio %
				Impv Value	Land Value	Imp Adj	Land Adj	Imp2 Desc	Imp3 Desc	Val/Sft	
R3137	687 LCR 894	2011	1,718	\$199,390				RESIDENCE			Buyer
R3137	Cedar Creek Estates Lake Limestone, BLOCK H, Lot 084	1989	F4P	\$151,790	\$47,600						08/17/2021
CEDARCR			90	0.47	23.87						\$259,000
128B	CAD,ESD1E,GLI,HOS,RDB,RFM,SGR MY / SGR			100.00	0.00			\$116.06	\$150.76		76.98
R3339	LCR 116		0	\$92,260				RESIDENCE			Buyer
R3339	A501 J Seawright, ACRES 20.969			\$0	\$92,260						07/16/2021
A501				20.97	100.00						\$62,000
B2	CAD,GLI,RDB,RFM,SAX DB / SAX			100.00	0.00			\$0.00	\$0.00		148.81
R3756	2032 N HWY 14	2011	2,094	\$236,370				RESIDENCE			MLS-Confidential
R3756	A Varela Oak Creek Est., Lot 001	1987	M6	\$219,200	\$17,170						12/06/2021
A0290			90	1.79	7.26						\$275,000
I9	CAD,GLI,HOS,RDB,RFM,SGR DB / SGR			100.00	0.00			\$112.88	\$131.33		85.95
R3968	908 SHADY LANE	2003	1,929	\$190,120				RESIDENCE			MLS-Confidential
R3968	Calwood Estates Addition Mexia, Lot 005 - 006, (E/2 OF 6)	1988	M5	\$176,830	\$13,290						02/09/2022
CAL			85	0.28	6.99						\$239,000
	CAD,CME,GLI,RDB,RFM,SME DB / SME			100.00	0.00			\$98.56	\$123.90		79.55
R40919	LCR 752A		0	\$33,250							Buyer
R40919,R4155	Curlee Cove Lake Limestone, Lot 014			\$0	\$33,250						07/28/2021
CURLEE				1.33	100.00						\$80,000
119A	CAD,ESD2W,GLI,HOS,RDB,RFM,SGR MY / SGR			100.00	0.00			\$0.00	\$0.00		41.56

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Property ID Quick Ref ID Abstract / Sub Map ID	Situs Address Legal Description TU Group Appraiser / NBHD	Eff Yr Act Yr % COM ECO	Area Class Good FUN	Total Mkt Value		Imp1 Desc Imp2 Desc Imp3 Desc Val/Sft Price/Sft	Sale Type Sale Date Sale Price Ratio %
				Impv Value Lnd Acres Imp Adj	Land Value Land Ratio Land Adj		
R41184	202 WHIRLAWAY	1997	1,655	\$117,410		RESIDENCE	MLS-Confidential
R41184	Durham Addition Sec 3 Groesbeck, Lot 004	1986	M5	\$101,010	\$16,400		03/17/2021
DUR3	CAD,CGR,GLI,HOS,RDB,RFM,SGR DB / SGR		70	0.36	13.97	\$70.94 \$67.89	\$112,350 104.50
R41254	102 BOLD RULER	2014	1,812	\$215,810		Residential	Buyer
DUR3	Durham Addition Sec 3 Groesbeck, Lot 047	2001	M5P	\$203,730	\$12,080		07/14/2021
R41452	CAD,CGR,GLI,HOS,RDB,RFM,SGR DB / SGR		93	0.26	5.60	\$119.10 \$154.53	\$280,000 77.08
R41452	4568 N HWY 14		0	\$84,260		AUTO SALES BLDG	Buyer
IND	P Varela -44- Indian Springs, Lot 001 - 002, ACRES 10.17, (PT)		PB2	\$1,500	\$82,760		08/31/2021
K6	CAD,GLI,RDB,RFM,SME EAGLE / SME		100	10.17	98.22	\$0.00 \$0.00	\$84,500 99.72
R41486	391 LCR 476	2000	1,216	\$150,230		Mobile Home	Buyer
R41486	A030 P Varela, BLOCK 018, SERIAL RM0192MX, LABEL # HWC0280117, ACRES 20.12. MAKE RICE. MODEL RICE CAD,GLI,RDB,RFM,SME	1999	T2S	\$54,200	\$96,030		03/18/2021
A030 J7	MY / SME		40	20.12	63.92	\$123.54 \$112.66	\$137,000 109.66
R4528	607 W WASHINGTON	2018	2,052	\$125,580		Mobile Home	Buyer
R4528	RDIV 023-XXIII Kosse, BLOCK D, Lot NW/200X190, SERIAL CSS020728TXA, LABEL # NTA1854081. ACRES 0.87. MAKE CAD,CKO,GLI,HOS,RDB,RFM,SGR DB / SGR	2018	T3D	\$92,140	\$33,440		08/13/2021
DIVXXIIIK			90	0.87	26.63	\$61.20 \$75.54	\$155,000 81.02

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Property ID Quick Ref ID Abstract / Sub Map ID	Situs Address Legal Description TU Group Appraiser / NBHD	Area Class Good FUN	Eff Yr Act Yr % COM ECO	Total Mkt Value		Imp1 Desc Imp2 Desc Imp3 Desc Val/Sft Price/Sft	Sale Type Sale Date Sale Price Ratio %
				Impv Value Lnd Acres Imp Adj	Land Value Land Ratio Land Adj		
R47768	1341 FM 2705	0		\$16,610			Buyer
R47768	A030 P. Varela, BLOCK 018, ACRES 2.596			\$0	\$16,610		11/24/2021
A030				2.60	100.00		\$30,000
I7	CAD, GLI, RDB, RFM, SME			100.00	0.00	\$0.00	\$0.00
	DB / SME						55.37
R47792	380 LCR 404	2,504	2004	\$291,000		RESIDENCE	Deed Info.
R47792	A Varela -G- Ridgewood Park, ACRES 4.115	M5P	1995	\$256,340	\$34,660	STORAGE 18X24	07/13/2021
A029RP		95		4.12	11.91		\$191,731
I9	CAD, GLI, HOS, RDB, RFM, SGR			100.00	0.00	\$116.21	\$76.57
	MY / SGR						151.78
R47850	LCR 486	0		\$187,160			Deed Info.
R47850	A029S A Varela-Shiloh, ACRES 47.99			\$0	\$187,160		12/17/2021
A029S				47.99	100.00		\$211,850
L7	CAD, GLI, RDB, RFM, SME			100.00	0.00	\$0.00	\$0.00
	DB / SME						88.35
R48297	1216 E BOWIE	0		\$6,500			Deed Info.
R48297	RDIV 031-XXXI Mexia, BLOCK 001A-001B, 023(1A-1B) 024(1A)			\$0	\$6,500		03/11/2021
DIVXXXIM				0.30	100.00		\$6,000
	CAD, CME, GLI, RDB, RFM, SME			100.00	0.00	\$0.00	\$0.00
	DB / SME						108.33
R48351	FM 1365	0		\$18,940			MLS-Confidential
R48351	Beaver Lake (P Varela 48), Lot 046, ACRES 2.96			\$0	\$18,940		08/23/2021
BEAVER				2.96	100.00		\$24,000
140A L6	CAD, GLI, RDB, RFM, SME			100.00	0.00	\$0.00	\$0.00
	DB / SME						78.92

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				Impv Value	Land Value	Land Acres	Land Ratio	Imp2 Desc	Imp3 Desc	Sale Date	Sale Price
R5725	LCR 116		0	\$299,310							MLS-Confidential
R5725	A532 B Strunk, ACRES 99.771			\$0	\$299,310						08/06/2021
A532				99.77	100.00						\$377,326
A3	CAD, GLI, RDB, RFM, SAX DB / SAX			100.00	0.00			\$0.00	\$0.00		79.32
R6363	409 E YEAGUA	1985	1,554	\$40,570				RESIDENCE			Deed Info.
R6363	RDIV 068-LXVIII Groesbeck, BLOCK 002, Lot (50X115')		F2P	\$33,090	\$7,480			UNF STG FR			03/01/2022
DIVLXVIII			50	0.13	18.44						\$45,011
	CAD, CGR, GLI, HOS, RDB, RFM, SGR DB / SGR			100.00	0.00			\$26.11	\$28.96		90.13
R6437	FM 339		0	\$691,200							MLS-Confidential
R6437, R6438, R6439	A307 J H Kerr, ACRES 160			\$0	\$691,200						03/18/2021
A307				230.40	100.00						\$625,000
B14	CAD, GLI, HOS, RDB, RFM, SGR DB / SGR			100.00	0.00			\$0.00	\$0.00		110.59
R6517	837 LCR 700	2014	1,506	\$283,990				Residential			MLS-Confidential
R6517	A159 T H Duggan, ACRES 34.848	2005	F4P	\$123,160	\$160,830						05/18/2021
A159			93	34.85	56.63						\$288,000
A17	CAD, GLI, HOS, RDB, RFM, SGR DB / SGR			100.00	0.00			\$188.57	\$191.24		98.61
R6594	471 LCR 761	2002	2,686	\$475,580				RESIDENCE			MLS-Confidential
R6594	A006 B Davis, ACRES 54.7	1991	M5P	\$254,750	\$220,830			BARN 60X48			08/20/2021
A006			80	54.70	46.43						\$550,000
F15	CAD, GLI, HOS, RDB, RFM, SGR DB / SGR			100.00	0.00			\$177.06	\$204.77		86.47

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Property ID Quick Ref ID Abstract / Sub Map ID	Sitius Address Legal Description TU Group Appraiser / NBHD	Eff Yr Act Yr % COM ECO	Area Class Good FUN	Total Mkt Value				Imp1 Desc Imp2 Desc Imp3 Desc Val/Sft Price/Sft	Sale Type Sale Date Sale Price Ratio %
				Impv Value	Land Value	Lnd Acres	Land Ratio		
R7309	809 W ANGELINE	2014	1,616	\$125,940	\$6,040	0.20	4.58	RESIDENCE	MLS-Confidential
R7309	RDIV 079-LXXIX Groesbeck, BLOCK 003, Lot (72X115')	1970	M4P						01/05/2022
DIVLXXIXG			93						\$142,500
	CAD,CGR,GLI,HOS,RDB,RFM,SGR DB / SGR			100.00	0.00			\$81.67	\$88.18
R7330	409 N GRAYSON	2004	1,809	\$139,580	\$7,480	0.26	5.09	RESIDENCE	MLS-Confidential
R7330	Block 130 Groesbeck, Lot 009 - 010		M4P						05/05/2021
DIV130G			82	100.00	0.00			\$81.29	\$90.66
	CAD,CGR,GLI,HOS,RDB,RFM,SGR DB / SGR								\$164,000
R7332	1771 W HWY 164		0	\$76,440					Buyer
R7332	A029G A Varela-Groesbeck, ACRES 10.33			\$0	\$76,440				03/19/2021
A029G				10.33	100.00				\$50,000
G11	CAD,GLI,HOS,RDB,RFM,SGR DB / SGR			100.00	0.00			\$0.00	\$0.00
R7413	3894 E HWY 164	2003	3,412	\$262,760	\$19,210	1.83	6.81	RESIDENCE	Buyer
R7413	A001E J N Acosta-East, ACRES 1.83	1992	M5						11/08/2021
A001E			80	100.00	0.00			\$82.64	\$89.39
K10	CAD,ESD2W,GLI,HOS,RDB,RFM,SGR DB / SGR								\$305,000
R7660	835 LCR 884	1979	784	\$16,690	\$335,800	93.80	95.27	RESIDENCE	Buyer
R7660	A026E M C Rejon-East, ACRES 93.8		F2						02/11/2022
A026E			40	100.00	0.00			\$449.60	\$478.32
L15	CAD,ESD1E,GLI,HOS,RDB,RFM,SGR DB / SGR								\$94,000

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R7991	1019 W ANGELINE	2001	2,179	\$200,600	\$200,600	RESIDENCE	MLS-Confidential
R7991	RDIV 037-XXXVII Groesbeck, ACRES 0.694, ROMANS 30(PT),37(PT),4 (PT), 43(PT),44(PT), 45(PT)	1955	M4P	\$179,440	\$21,160	WOOD DECK	12/30/2021
DIVXXXVIII	CAD,CGR,GLI,HOS,RDB,RFM,SGR		78	0.69	10.55	MISC OB'S	\$203,000
	DB / SGR			100.00	0.00	\$92.06 \$93.16	98.82
R8077	401 DALLAS		0	\$25,360	\$25,360		MLS-Confidential
R8077	Block 192 Groesbeck, Lot 001 - 007, 009-010			\$0	\$25,360		06/25/2021
DIV192G	CAD,CGR,GLI,HOS,RDB,RFM,SGR			1.19	100.00		\$17,562
	EAGLE / SGR			100.00	0.00	\$0.00 \$0.00	144.40
R8124	511 E FARRAR	2004	4,037	\$369,480	\$369,480	RESIDENCE	MLS-Confidential
R8124	Brown, Addition Groesbeck, BLOCK 004, Lot 003 - 005, (S/25' OF 3)	1958	M5P	\$357,290	\$12,190		01/11/2022
BROWN	CAD,CGR,GLI,HOS,RDB,RFM,SGR		82	0.33	3.30		\$300,000
	DB / SGR			100.00	0.00	\$91.52 \$74.31	123.16
R8134	LCR 662		0	\$339,000	\$339,000		Buyer
R8134	A687 W W Gunter, ACRES 113			\$0	\$339,000		03/09/2021
A687	CAD,GLI,HOS,RDB,RFM,SGR			113.00	100.00		\$226,000
C14	DB / SGR			100.00	0.00	\$0.00 \$0.00	150.00
R8347	141 LCR 773	1995	480	\$272,740	\$272,740	RESIDENCE	MLS-Confidential
R8347	A004WL J L Chavert-West Lake Limestone, ACRES 3.77	1962	F3	\$48,340	\$224,400		04/26/2021
A004WL	CAD,ESD2W,GLI,HOS,RDB,RFM,SGR		70	3.77	82.28		\$308,500
J14	DB / SGR			100.00	0.00	\$568.21 \$642.71	88.41

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Property ID Quick Ref ID Abstract / Sub Map ID	Situs Address Legal Description TU Group Appraiser / NBHD	Eff Yr Act Yr % COM ECO	Area Class Good FUN	Total Mkt Value				Imp1 Desc Imp2 Desc Imp3 Desc Val/Sft Price/Sft	Sale Type Sale Date Sale Price Ratio %
				Impv Value	Land Value	Land Acres	Land Ratio		
R8825	LCR 902		0	\$22,550				Buyer	
R8825	Highlands (The) Lake Limestone, BLOCK A, Lot 037, ACRES 0.56			\$0	\$22,550			11/24/2021	
HIGH				0.56	100.00			\$20,000	
129A	CAD,ESD1E,GLI,HOS,RDB,RFM,SGR DB / SGR			100.00	0.00		\$0.00	\$0.00	
							\$0.00	112.75	
R8884	LCR 701		0	\$159,170				MLS-Confidential	
R8884	A567 Chs Welch, ACRES 35.372			\$0	\$159,170			09/24/2021	
A567				35.37	100.00			\$162,000	
B16	CAD,GLI,HOS,RDB,RFM,SGR / SGR			100.00	0.00		\$0.00	\$0.00	
R8906	805 E YEAGUA	2003	1,080	\$83,530				Buyer	
R8906	A Varela -G- Hwy 164 E (ICL), ACRES 0.261	1975	M3P	\$68,750	\$14,780		RESIDENCE	01/22/2021	
HWY164E			80	0.26	17.69			\$84,900	
H12	CAD,CGR,GLI,HOS,RDB,RFM,SGR DB / SGR			100.00	0.00		\$77.34	\$78.61	
R8930	506 N MYRTLE	1998	1,312	\$82,210				MLS-Confidential	
R8930	Block 034 Kosse, Lot 007 - 008, (S/25' OF 7)	1928	F3P	\$79,620	\$2,590		RESIDENCE	07/29/2021	
DIV034K			74	0.20	3.15			\$80,000	
	CAD,CKO,GLI,HOS,RDB,RFM,SGR DB / SGR			100.00	0.00		\$62.66	\$60.98	
R9203	1205 W TRINITY	1985	2,239	\$107,220				MLS-Confidential	
R9203	Ferguson Addition Groesbeck, BLOCK B, Lot 016	1986	M4P	\$95,580	\$11,640		RESIDENCE	11/19/2021	
FER			50	0.38	10.86			\$123,500	
	CAD,CGR,GLI,HOS,RDB,RFM,SGR DB / SGR		95	100.00	0.00		\$47.89	\$55.16	

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R9464	1173 LCR 740	2012	0	\$314,430		RESTAURANT	Buyer
R9464	A026WL M C Rejon-West Lake Limestone, ACRES 14.62	2012	CBA3 70	\$185,970 14.62	\$128,460 40.85	MH & WOOD DECK (7) 12X16 CABINS	04/09/2021 \$550,000 57.17
A026WL I17	CAD,ESD2W,GLI,HOS,RDB,RFM,SGR EAGLE / SGR			100.00	0.00	\$0.00 \$0.00	
R9857	920 S ELLIS ST	2003	1,152	\$62,810		Residential	Deed Info.
R9857	Scharff Addition Groesbeck, Lot 017 & 019	2002	F3 80	\$53,770 0.82	\$9,040 14.39		05/03/2022 \$57,316 109.59
SCHR	CAD,CGR,GLI,HOS,RDB,RFM,SGR DB / SGR			100.00	0.00	\$54.52 \$49.75	
R9887	E WASHINGTON		0	\$40,400			MLS-Confidential
R9887,R9890	Brewer Addition Kosse, Lot 025 - 027			\$0	\$40,400		05/27/2021 \$42,500 95.06
BREW	CAD,CKO,GLI,HOS,RDB,RFM,SGR DB / SGR			5.77 100.00	100.00 0.00	\$0.00 \$0.00	
R9923	116 MEADOW LANE	1999	2,288	\$255,740		RESIDENCE	MLS-Confidential
R9923	Oliver Addition Groesbeck, Lot 022, LIFE ESTATE FOR SHIRLEY COCKE	1991	M6 75	\$213,420 1.14	\$42,320 16.55		05/07/2021 \$250,000 102.30
OLI	CAD,CGR,GLI,HOS,RDB,RFM,SGR DB / SGR		100	100.00	0.00	\$111.77 \$109.27	
Report Totals				Adjusted Sale Price	SalesPrice	Value	

Sales Ratio Report

As Of: 8/11/2022 Tax Year: 2022 Values - Final Sale Price - Adjusted

APPRAISAL

Report Set-up

Tax Year: 2022
 Property Type: Real, Personal, Mobile Home
 Sale Date Range: 01/01/2021 to 08/09/2022
 Validity Codes Included: Valid, Unknown
 Outliers Identified by: 1.5 X Beyond Middle 50% Range
 Value: Final
 Sale Price: Adjusted , untrended

Sort/Group:

Stratify by: SalePrice by RptTotals for Real

Reporting Thresholds: Default 5
Statistics: Standard

Run Totals
Sales Considered: 253

Sales Used 253

By Validity Code	VALID: 164
	UNK: 89
By Sale Type	B: 95
	DEED: 53
	MLS: 105

S.B. 1652* BIENNIAL REAPPRAISAL PLAN

**FOR THE ANNUAL APPRAISAL FOR
AD VALOREM TAX PURPOSES OF
MINERAL, INDUSTRIAL, UTILITY AND
RELATED PERSONAL PROPERTY**

For Tax Years:

2023 and 2024**

Originally Printed: July 21, 2022

***This biennial reappraisal plan is largely predicated on the Scope of Work Rule in the most recent version of Uniform Standards of Professional Appraisal Practice (USPAP) promulgated by The Appraisal Foundation's Appraisal Standards Board (ASB). On February 19, 2021, the ASB announced that the 2020-2021 edition of USPAP would be extended for use into 2022. Subsequently, this plan does not have a newer edition of USPAP to draw upon and therefore is substantially similar to the 2021-2022 biennial reappraisal plan.*

*Senate Bill 1652 passed by the Texas Legislature, 79th Regular Session in 2005, amending Section 6.05 of the Texas Property Tax Code, adding Subsection (i) as follows:

"To ensure adherence with generally accepted appraisal practices, the board of directors of an appraisal district shall develop biennially a written plan for the periodic reappraisal of all property within the boundaries of the district according to the requirements of Section 25.18 and shall hold a public hearing to consider the proposed plan. Not later than the 10th day before the date of the hearing, the secretary of the board shall deliver to the presiding officer of the governing body of each taxing unit participating in the district a written notice of the date, time, and place for the hearing. Not later than September 15 of each even-numbered year, the board shall complete its hearings, make any amendments, and by resolution finally approve the plan. Copies of the approved plan shall be distributed to the presiding officer of the governing body of each taxing unit participating in the district and to the comptroller within 60 days of the approval date."



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POLICY STATEMENT OF PRITCHARD & ABBOTT, INC., ON THE UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE

Pritchard & Abbott, Inc., (P&A), a privately held company engaged primarily, but not wholly, in the ad valorem tax valuation industry endorses Uniform Standards of Professional Appraisal Practice (USPAP) as the basis for the production of sound appraisals. Insofar as the statutory requirement to appraise groups (or a “universe”) of real and personal property within an established period of time using standardized procedures—and subjecting the resulting appraisals to statistical measures—is the definition of mass appraisal, P&A subscribes to USPAP Standards 5 and 6 (Mass Appraisal, Development and Reporting) whenever applicable in the development and defense of values. When circumstances clearly dictate the use of single property appraisal procedures, P&A adheres to the spirit and intent of the remaining USPAP Standards within all appropriate, practical, and/or contractual limitations or specifications.

A biennial reappraisal plan is, at its core, a discussion of the CAD’s intended implementation of the Scope of Work Rule in USPAP. This plan provides general information about this rather comprehensive USPAP rule, as well as the specific steps P&A takes in the actual appraisal of various property types per our contractual obligations. This Biennial Reappraisal Plan should not be confused or conflated with an “appraisal manual” or other “how-to” guide which may or may not exist within P&A for any particular property type we appraise.

This reappraisal plan discusses a few other USPAP rules that interact with the Scope of Work Rule, such as the Ethics Rule, the Record Keeping Rule, and Jurisdictional Exception Rule. For further information regarding other sections of USPAP, including the Competency Rule, definitions, and appraisal reports, please reference P&A’s “USPAP report” which accompanies our appraisals and supporting documentation provided to clients per Property Tax Code, Sec. 25.01(c) at the completion of each tax year. ***An appraisal season thus begins with an appraisal plan (approved by the CAD’s Board of Directors) and ends with appraisal reports.*** Providing these reports is definitely part of the plan. Likewise, much of the verbiage in the “USPAP report” is a reiteration of the Biennial Reappraisal Plan.

USPAP defines “appraisal” as the act or process of developing an opinion of value or pertaining to appraising and related functions such as appraisal practice or appraisal services. Valuation services is defined as services pertaining to an aspect of property value, regardless of the type of service and whether it is performed by appraisers or by others. The USPAP definition of “appraiser” is one who is expected to perform valuation services competently and in a manner that is ***independent, impartial, and objective***. USPAP Advisory Opinion 21: *USPAP Compliance* states that this expectation (by clients and intended users of appraisal reports) is the basis that creates an ethical obligation to comply with USPAP, even if not legally required. Advisory opinions do not establish new standards or interpret existing standards, but instead are issued to illustrate the applicability of appraisal standards in specific situations.

The majority of property types that P&A typically appraises for ad valorem tax purposes are categorized as unique, complex, and/or “special purpose” properties (mineral interests, industrial, utility, and related personal property). These categories of properties do not normally provide sufficient market data of reliable quality and/or quantity to support the rigorous use of all USPAP-prescribed mass appraisal development mandates (Standard 5: Mass Appraisal, Development), particularly with regards to some, but not all, of the *model calibration and statistical performance testing* confines. However, P&A does strive to employ all or most elements of mass appraisal techniques with regards to the *definition and identification of property characteristics and model specification* and application.

Per USPAP Advisory Opinion 32: *Ad Valorem Property Tax Appraisal and Mass Appraisal Assignments*, in the

interests of equity, the scope of work in mass appraisal assignments for ad valorem taxation can include consideration of appraisal level (the overall proximity between appraised values and actual prices) and the uniformity of property values (equity within groups of like properties). The appraiser is responsible for recognizing when the concepts of appraisal level and appraisal uniformity are necessary for credible assignment results in a mass appraisal assignment for ad valorem taxation.

Residential real estate property appraisers most frequently apply mass appraisal methods within the sales comparison (market) approach to value. Through the use of standardized data collection (i.e., actual market sales), specification and calibration of mass appraisal models, tables, and schedules are possible. Through ratio study analysis and other performance measures, a cumulative summary of valuation accuracy can thus be produced in order to calibrate the appraisal model(s). Where sufficient data of reliable quality exists, mass appraisal is also used for other types of real estate property such as farms, vacant lots, and some commercial uses (e.g., apartments, offices, and small retail).

Regarding mass appraisal reports due the client and other intended users per USPAP (Standard 6 (Mass Appraisal, Reporting), a written report of the mass appraisal as described in Standards 6-2 is not provided for each individual property. An individual property record or worksheet may describe the valuation of the specific property after the application of the mass appraisal model. To understand the individual property result developed in a mass appraisal requires the examination of all the information and analysis required by Standards 6-2.

P&A will clearly state or otherwise make known all extraordinary assumptions, hypothetical conditions, limitations imposed by assignment conditions, and/or jurisdictional exceptions in its appraisal reports as they are conveyed to our clients. *Intended users of our reports are typically the client(s) for which we are under direct contract.* Although taxpayers or their agents who own and/or represent the subject property being appraised often receive these reports either by law or as a courtesy of the client or P&A, this receipt does not mean these parties automatically become Intended Users as defined by USPAP. *A party receiving a copy of a report in order to satisfy disclosure requirements does not become an intended user of the appraisal or mass appraisal unless the appraiser specifically identifies such party as an intended user.* Potential other users include parties involved in adjudication of valuation disputes (review board members, lawyers, judges, etc.), governmental agencies which periodically review our appraisals for various statutory purposes (such as the Texas Comptroller's Office) and private parties who may obtain copies of our appraisals through Open Records Requests made to governmental agencies.

USPAP does not currently address communications of assignment results prior to completion of the assignment, thus such communications have no requirements other than to comply with the general requirements in the Ethics Rule, the Competency Rule, and the Jurisdictional Exception Rule. The client and all intended users should be aware that mass appraisals, as opposed to most "fee" appraisals, are somewhat inherently "limited" versus "complete" and that appraisal reports, unless otherwise contracted for by the client, will most often be of a "restricted" nature whereas explanations of appraisal methods and results are more concise versus lengthy in order to promote brevity, clarity, and transparency to the intended user(s).

Per USPAP, the appropriate reporting option and level of information in a report are dependant on the intended use and the intended users. Although the reporting verbiage in USPAP Standard 6 does not specifically offer or promulgate a "Restricted Appraisal Report" such as in Standard 2 (Real Property Appraisal, Reporting) and Standard 8 (Personal Property Appraisal, Reporting), it should be noted that: a) all mass appraisals and mass appraisal reports deal with real and personal property in some form or fashion; and b) P&A is a private consulting firm, a fact which may necessitate the withholding of certain data and/or appraisal models/techniques which are deemed confidential, privileged and/or proprietary in nature. The use of "limited" appraisals in conjunction with "restricted" reports in no way implies non-compliance with USPAP. *The substantive content of a report*

determines its compliance.

P&A believes that, with its vast experience and expertise in these areas of appraisal, all concluded values and reports thereof are credible, competent, understandable, uniform and consistent; and most importantly for ad valorem tax purposes, accomplished in a cost-efficient and timely manner.

Per previous ASB comments under Standard 6-2(b) [*scope of work... special limiting conditions*]:

“Although appraisers in ad valorem taxation should not be held accountable for limitations beyond their control, they are required by this specific requirement to identify cost constraints and to take appropriate steps to secure sufficient funding to produce appraisals that comply with these standards. Expenditure levels for assessment administration are a function of a number of factors. Fiscal constraints may impact data completeness and accuracy, valuation methods, and valuation accuracy. Although appraisers should seek adequate funding and disclose the impact of fiscal constraints on the mass appraisal process, they are not responsible for constraints beyond their control.”

In any event, however, it is not P&A’s intent to allow constraints, fiscal or otherwise, to limit the scope of work to such a degree that the mass appraisal results provided to our clients are not credible within the context of the intended use(s) of the appraisal.

PREAMBLE

The purpose of USPAP is to establish requirements and conditions for ethical, thorough, and transparent property valuation services. Valuation services pertain to all aspects of property value and include services performed by appraisers and other professionals including attorneys, accountants, insurance estimators, auctioneers, or brokers. Valuation services include appraisal, appraisal review, and appraisal consulting. The primary intent of these Standards is to promote and maintain a high level of public trust in professional appraisal practice.

It is essential that professional appraisers develop and communicate their analyses, opinions, and conclusions to intended users of their services in a manner that is meaningful and not misleading. The importance of the role of the appraiser places ethical obligations upon those who serve in this capacity. These USPAP Standards reflect the current standards of the appraisal profession.

These Standards are for both appraisers and users of appraisal services. To maintain a high level of professional practice, appraisers observe these Standards. However, these Standards do not in themselves establish which individuals or assignments must comply. The Appraisal Foundation nor its Appraisal Standards Board is not a government entity with the power to make, judge, or enforce law. Compliance with USPAP is only required when either the service or the appraiser is obligated to comply by law or regulation, or by agreement with the client or intended users. When not obligated, individuals may still choose to comply.

USPAP addresses the ethical and performance obligations of appraisers through Definitions, Rules, Standards, Statements (if any), and Advisory Opinions. USPAP Standards deal with the procedures to be followed in performing an appraisal or appraisal review and the manner in which each is communicated. A brief description of the USPAP Standards are as follows:

- **Standards 1 and 2:** establish requirements for the development and communication of a real property appraisal.
- **Standards 3 and 4:** establishes requirements for the development and communication of an appraisal review.
- **Standards 5 and 6:** establishes requirements for the development and communication of a mass appraisal.
- **Standards 7 and 8:** establish requirements for the development and communication of a personal property appraisal.
- **Standards 9 and 10:** establish requirements for the development and communication of a business or intangible asset appraisal.

Section 23.01(b) [*Appraisals Generally*] of the Texas Property Tax Code states:

“The market value of property shall be determined by the application of generally accepted appraisal methods and techniques. If the Appraisal District determines the appraised value of a property using mass appraisal standards, the mass appraisal standards must comply with the Uniform Standards of Professional Appraisal Practice....” (underline added for emphasis)

Consequently, USPAP Standards 5 and 6 are assumed to be the applicable standard for ad valorem tax purposes in Texas, if mass appraisal practices are in fact being used to appraise the subject property. USPAP Advisory Opinion 32 suggests several USPAP standards other than Standards 5 or 6 can apply in ad valorem tax work. It appears that an appraiser engaged in ad valorem tax work in Texas is not specifically required by law to follow these USPAP standards if in fact mass appraisal practices have not been used to appraise the subject property. In this case it could be deemed appropriate to invoke the Jurisdictional Exception Rule which is applicable when

there is a contradiction between the requirements of USPAP and the law or regulation of a jurisdiction. Please see the P&A Policy Statement on USPAP as provided elsewhere in this report for a more detailed discussion regarding this matter.

ETHICS RULE

Because of the fiduciary responsibilities inherent in professional appraisal practice, the appraiser must observe the highest standards of professional ethics. This Ethics Rule is divided into three sections:

- Conduct;
- Management;
- Confidentiality.

This Rule emphasizes the personal obligations and responsibilities of the individual appraiser. However, it should be noted that groups and organizations *which are comprised of individual appraisers engaged in appraisal practice* effectively share the same ethical obligations. To the extent the group or organization does not follow USPAP Standards when legally required, individual appraisers should take steps that are appropriate under the circumstances to ensure compliance with USPAP.

Compliance with these Standards is required when either the service or the appraiser is obligated by law or regulation, or by agreement with the client or intended users, to comply. *Compliance is also required when an individual, by choice, represents that he or she is performing the service as an appraiser.*

An appraiser must not misrepresent his or her role when providing valuation services that are outside of appraisal practice.

Honesty, impartiality, and professional competency are required of all appraisers under USPAP Standards. To document recognition and acceptance of his or her USPAP-related responsibilities in communicating an appraisal or appraisal review completed under USPAP, an appraiser is required to certify compliance with these Standards.

CONDUCT

An appraiser must perform assignments with impartiality, objectivity, and independence, and without accommodation of personal interests.

An appraiser:

- must not perform an assignment with bias;
- must not advocate the cause or interest of any party or issue;
- *must not accept an assignment that includes the reporting of predetermined opinions and conclusions;*
- must not misrepresent his or her role when providing valuation services that are outside of appraisal practice;
- must not communicate assignment results with the intent to mislead or to defraud;
- must not use or communicate a report or assignment results known by the appraiser to be misleading or fraudulent;
- must not knowingly permit an employee or other person to communicate a report or assignment results that are misleading or fraudulent report;
- must not use or rely on unsupported conclusions relating to characteristics such as race, color, religion, national origin, gender, marital status, familial status, age, receipt of public assistance income, handicap, or an unsupported conclusion that homogeneity of such characteristics is necessary to maximize value;
- must not engage in criminal conduct;

- must not willfully or knowingly violate the requirements of the RECORD KEEPING RULE; and must not perform an assignment in a grossly negligent manner.

If known prior to accepting an assignment, and/or if discovered at any time during the assignment, an appraiser must disclose to the client, and in each subsequent report certification:

- any current or prospective interest in the subject property or parties involved; and
- any services regarding the subject property performed by the appraiser within the three year period immediately preceding acceptance of the assignment, as an appraiser or in any other capacity.

The appraiser can agree with the client to keep the mere occurrence of a prior appraisal assignment confidential. If an appraiser has agreed with the client not to disclose that he or she has appraised a property, the appraiser must decline all subsequent assignment that fall with the three year period. In assignments in which there is no report, only the initial disclosure to the client is required.

Presumably all parties in ad valorem tax appraisal will be aware of the ongoing yearly nature of the appraisal assignments performed by valuation consulting firms like Pritchard & Abbott, Inc.—i.e., it will not be confidential—so that this particular conduct instruction is more or less a moot point (regarding the three year period discussed) if the prior service is in fact the ad valorem tax appraisals performed in previous tax years.

MANAGEMENT

The payment of a fee, commission, or a thing of value by the appraiser in connection with the procurement of an assignment must be disclosed. This disclosure must appear in the certification and in any transmittal letter in which conclusions of value are stated; however, the disclosure of the amount paid is not required. Intra-company payments to employees of groups or organizations involved in appraisal practice for business development do not require disclosure.

It is unethical for an appraiser to accept compensation for performing an assignment when it is contingent upon the reporting of a *predetermined result, a direction in assignment results that favors the cause of the client, the amount of a value opinion, the attainment of a stipulated result*, or the occurrence of a subsequent event directly related to the appraiser's opinions and specific to the assignment's purpose.

Advertising for or *soliciting assignments in a manner that is false, misleading, or exaggerated* is unethical. Decisions regarding finder or referral fees, contingent compensation, and advertising may not be the responsibility of an individual appraiser, but for a particular assignment it is the responsibility of the individual appraiser to ascertain that there has been no breach of ethics, that the assignment consulting assignment has been prepared in accordance with USPAP Standards, and that the report can be properly certified when required by USPAP Standards 2-3, 4-3, 6-3, 8-3, or 10-3.

An appraiser must affix, or authorize the use of, his or her signature to certify recognition and acceptance of his or her USPAP responsibilities in an appraisal or appraisal review assignment. An appraiser may authorize the use of his or her signature only on an assignment-by-assignment basis.

In addition, an appraiser must not affix the signature of another appraiser without his or her consent. An appraiser must exercise due care to prevent unauthorized use of his or her signature. However, an appraiser exercising such care is not responsible for unauthorized use of his or her signature.

CONFIDENTIALITY

An appraiser must protect the confidential nature of the appraiser-property owner relationship.

An appraiser must act in good faith with regard to the legitimate interests of the client in the use of confidential information and in the communication of assignment results.

An appraiser must be aware of, and comply with, all confidentiality and privacy laws and regulations applicable in an assignment.

An appraiser must not disclose confidential factual data obtained from a property owner to anyone other than:

1. The client;
2. Parties specifically authorized by the client;
3. State appraiser regulatory agencies;
4. Third parties as may be authorized by due process of law; or
5. A duly authorized professional peer review committee except when such disclosure to a committee would violate applicable law or regulation.

An appraiser must take reasonable steps to safeguard access to confidential information and assignment results by unauthorized individuals, whether such information or results are in physical or electronic form. In addition, an appraiser must ensure that employees, coworkers, subcontractors, or others who may have access to confidential information or assignments results, are aware of the prohibitions on disclosure of such information or results.

It is unethical for a member of a duly authorized professional peer review committee to disclose confidential information presented to the committee.

When all confidential elements of confidential information are removed through redaction or the process of aggregation, client authorization is not required for the disclosure of the remaining information, as modified.

RECORD KEEPING RULE

An appraiser must prepare a workfile for each appraisal or appraisal review assignment. A workfile must be in existence prior to the issuance of any report or other communication of assignment results. A written summary of an oral report must be added to the workfile within a reasonable time after the issuance of the oral report.

The workfile must include the name of the client and the identity, by name or type, of any other intended users, and true copies of all written reports, documented on any type of media. (A true copy is a replica of the report transmitted to the client. A photocopy or an electronic copy of the entire report transmitted to the client satisfies the requirement of a true copy.) A workfile must contain summaries of all oral reports or testimony, or a transcript of testimony, including the appraiser's signed and dated certification; and all other data, information, and documentation necessary to support the appraiser's opinions and conclusions and to show compliance with USPAP, or references to the location(s) of such other data, information, and documentation.

A workfile in support of a Restricted Appraisal Report or an oral appraisal report must be sufficient for the appraiser to produce an Appraisal Report. A workfile in support of an oral appraisal review report must be sufficient for the appraiser to produce an Appraisal Review Report.

An appraiser must retain the workfile for a period of at least *five years after preparation* or at least two years after final disposition of any judicial proceeding in which the appraiser provided testimony related to the assignment, whichever period expires last.

An appraiser must have custody of the workfile, or make appropriate workfile retention, access, and retrieval arrangements with the party having custody of the workfile. This includes ensuring that a workfile is stored in a medium that is retrievable by the appraiser throughout the prescribed record retention period. An appraiser having custody of a workfile must allow other appraisers with workfile obligations related to an assignment appropriate access and retrieval for the purpose of:

- submission to state appraiser regulatory agencies;
- compliance with due process of law;
- submission to a duly authorized professional peer review committee; or
- compliance with retrieval arrangements.

A workfile must be made available by the appraiser when required by a state appraiser regulatory agency or due process of law.

An appraiser who willfully or knowingly fails to comply with the obligations of this Record Keeping Rule is in violation of the Ethics Rule.

SCOPE OF WORK RULE

For each appraisal or appraisal review assignment, an appraiser must:

1. Identify the problem to be solved;
2. Determine and perform the scope of work necessary to develop credible assignment results; and
3. Disclose the scope of work in the report.

An appraiser must properly identify the problem to be solved in order to determine the appropriate scope of work. The appraiser must be prepared to demonstrate that the scope of work is sufficient to produce credible assignment results.

Scope of work includes, but is not limited to:

- the extent to which the property is identified;
- the extent to which tangible property is inspected;
- the type and extent of data researched; and
- the type and extent of analyses applied to arrive at opinions or conclusions.

Appraisers have broad flexibility and significant responsibility in determining the appropriate scope of work for an appraisal or appraisal review assignment. Credible assignment results require support by relevant evidence and logic. *The credibility of assignment results is always measured in the context of the intended use.*

PROBLEM IDENTIFICATION

An appraiser must gather and analyze information about those assignment elements that are necessary to properly identify the appraisal, appraisal review or appraisal consulting problem to be solved. The assignment elements necessary for problem identification are addressed in the Standard 6-2:

- client and any other intended users;
- intended use of the appraiser's opinions and conclusions;
- type and definition of value;
- effective date of the appraiser's opinions and conclusions;
- subject of the assignment and its relevant characteristics; and
- assignment conditions.

This information provides the appraiser with the basis for determining the type and extent of research and analyses to include in the development of an appraisal. Similar information is necessary for problem identification in appraisal review and appraisal consulting assignments. Assignment conditions include:

- assumptions;
- extraordinary assumptions;
- hypothetical conditions;
- laws and regulations;
- jurisdictional exceptions; and
- other conditions that affect the scope of work.

SCOPE OF WORK ACCEPTABILITY

The scope of work must include the research and analyses that are necessary to develop credible assignment results. The scope of work is acceptable when it meets or exceeds:

- the expectations of parties who are regularly intended users for similar assignments; and
- what an appraiser's peers' actions would be in performing the same or a similar assignment.

Determining the scope of work is an ongoing process in an assignment. Information or conditions discovered during the course of an assignment might cause the appraiser to reconsider the scope of work. An appraiser must be prepared to support the decision to exclude any investigation, information, method, or technique that would appear relevant to the client, another intended user, or the appraiser's peers.

An appraiser must not allow assignment conditions to limit the scope of work to such a degree that the assignment results are not credible in the context of the intended use. In addition, the appraiser must not allow the intended use of an assignment or a client's objectives to cause the assignment results to be biased.

DISCLOSURE OBLIGATIONS

The report must contain sufficient information to allow intended the client and other intended users to understand the scope of work performed. Proper disclosure is required because clients and other intended users may rely on the assignment results. Sufficient information includes disclosure of research and analyses performed or not performed. *The information disclosed must be appropriate for the intended use of the assignment results.*

Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed. *The appraiser has broad flexibility and significant responsibility in the level of detail and manner of disclosing the scope of work in the appraisal report or appraisal review report.* The appraiser may, but is not required to, consolidate the disclosure in a specific section or sections of the report, or use a particular label, heading or subheading. An appraiser may choose to disclose the scope of work as necessary throughout the report.

JURISDICTIONAL EXCEPTION RULE

If any applicable law or regulation precludes compliance with any part of USPAP, only that part of USPAP becomes void for that assignment. When compliance with USPAP is required by federal law or regulation, no part of USPAP can be voided by a law or regulation of a state or local jurisdiction. *When an appraiser properly follows this Rule in disregarding a part of USPAP, there is no violation of USPAP.*

In an assignment involving a jurisdictional exception, an appraiser must:

- identify the law or regulation that precludes compliance with USPAP;
- comply with that law or regulation;
- clearly and conspicuously disclose in the report the part of USPAP that is voided by that law or regulation; and
- cite in the report the law or regulation requiring this exception to USPAP compliance.

The purpose of the Jurisdictional Exception Rule is strictly limited to providing a saving or severability clause intended to preserve the balance of USPAP if one or more of its parts are determined as contrary to law or public policy of a jurisdiction. By logical extension, there can be no violation of USPAP by an appraiser who disregards, with proper disclosure, only the part or parts of USPAP that are void and of no force and effect in a particular assignment by operation of legal authority.

It is misleading for an appraiser to disregard a part or parts of USPAP as void and of no force and effect in a particular assignment without identifying the part or parts disregarded and the legal authority justifying this action in the appraiser's report.

"Law" includes constitutions, legislative and court-made law, and administrative rules (such as from the Office of the Texas Comptroller of Public Accounts) and ordinances. "Regulations" include rules or orders having legal force, issued by an administrative agency. *Instructions from a client or attorney do not establish a jurisdictional exception.*

A jurisdictional exception prevalent in Texas is that appraisers are seeking to establish "fair market value" as defined by the Texas Property Tax Code instead of "market value" as found in the USPAP definitions section.

USPAP STANDARDS 5 AND 6: MASS APPRAISAL, DEVELOPMENT AND REPORTING (General Discussion)

In developing a mass appraisal, an appraiser must be aware of, understand, and correctly employ those recognized methods and techniques necessary to produce and communicate credible mass appraisals.

Standards 5 and 6 apply to all mass appraisals of real and personal property regardless of the purpose or use of such appraisals. It is directed toward the substantive aspects of developing and communicating competent analyses, opinions, and conclusions in the mass appraisal of properties, whether real property or personal property. Standard 5 is directed toward the substantive aspects of developing credible analyses, opinions, and conclusions in the mass appraisal of properties, while Standard 6 addresses the content and level of information required in a report that communicates the results of a mass appraisal. The reporting and jurisdictional exceptions applicable to public mass appraisals prepared for purposes of ad valorem taxation do not apply to mass appraisals prepared for other purposes.

A mass appraisal includes:

- identifying properties to be appraised;
- defining market areas of consistent behavior that applies to properties;
- identifying characteristics (supply and demand) that affect the creation of value in that market area;
- developing (specifying) a model structure that reflects the relationship among the characteristics affecting value in the market area;
- calibrating the model structure to determine the contribution of the individual characteristics affecting value;
- applying the conclusions reflected in the model to the characteristics of the properties being appraised; and
- reviewing the mass appraisal results.

The Jurisdictional Exception Rule may apply to several sections of Standards 5 and 6 because ad valorem tax administration is subject to various state, county, and municipal laws.

As previously stated in the P&A Policy Statement (page 2), it may not be possible or practicable for all the mass appraisal attributes listed above to be rigorously applied to the many types of complex and/or unique properties that P&A typically appraises. Often there are contractual limitations on the scope of work needed or required. More prevalently, these types of properties do not normally provide a reliable database of market transactions (or details of transactions) necessary for statistically supportable calibration of appraisal models and review of appraisal results. Generally these two functions are effectively accomplished through annual extended review meetings with taxpayers (and clients) who provide data, sometimes confidentially, that allows for appraisal models to be adjusted where necessary. Nevertheless, and notwithstanding whether P&A implicitly or explicitly employs or reports all attributes listed above, in all cases P&A at the minimum employs tenants of “generally accepted appraisal methods” which are the genesis of USPAP Standards.

Per USPAP guidelines, P&A will make known all departures and jurisdictional exceptions when invoked (if an appraisal method or specific requirement is applicable but not necessary to attain credible results in a particular assignment).

The various sections of Standard 5 (development of mass appraisal) and Standard 6 (communication of the mass appraisal results) are briefly summarized below:

- **Standard 5-1:** Establishes the appraiser's technical and ethical framework. Specifically, appraisers must recognize and use established principles, methods and techniques of appraisal in a careful manner while not committing substantial errors of fact or negligence that would materially affect the appraisal results and not give a credible estimate of fair market value. To this end appraisers must continuously improve his or her skills to maintain proficiency and keep abreast of any new developments in the real and personal property appraisal profession. This Standards does not imply that competence requires perfection, as perfection is impossible to attain. Instead, it requires appraisers to employ every reasonable effort with regards to due diligence and due care.
- **Standard 5-2:** Defines the introductory framework requirements of developing a mass appraisal, focusing on the identification and/or definition of: client(s), intended users, effective date, appraisal perspective, scope of work, extraordinary assumptions, hypothetical conditions, the type and definition of value being developed (typically "fair market value" for ad valorem tax purposes), characteristics of the property being appraised in relation to the type and definition of value and intended use, the characteristics of the property's market, the property's real or personal attributes, fractional interest applicability, highest and best use analysis along with other land-related considerations, and any other economic considerations relevant to the property.
- **Standard 5-3:** Defines requirements for developing and specifying appropriate mass appraisal data and elements applicable for real and personal property. For real property, the data and elements include: existing land use regulations, reasonably probable modification of such regulations, economic supply and demand, the physical adaptability of the real estate, neighborhood trends, and highest and best use analysis. For personal property, the relevant data and elements include: identification of industry trends, trade level, highest and best use, and recognition of the appropriate market consistent with the type and definition of value.
- **Standard 5-4:** Further defines requirements for developing mass appraisal models, focusing on development of standardized data collection forms, procedures, and training materials that are used uniformly on the universe of properties under consideration. This rule specifies that appraisers employ recognized techniques for specifying and calibrating mass appraisal models. Model specification is the formal development of a model in a statement or mathematical equation, including all due considerations for physical, functional, and external market factors as they may affect the appraisal. These models must accurately represent the relationship between property value and supply and demand factors, as represented by quantitative and qualitative property characteristics. Models must be calibrated using recognized techniques, including, but not limited to, multiple linear regression, nonlinear regression, and adaptive estimation. Models may be specified incorporating the income, market, and/or cost approaches to value and may be tabular, mathematical, linear, nonlinear, or any other structure suitable for representing the observable property characteristics such as adaptive estimation. Model calibration refers to the process of analyzing sets of property and market data to determine the specific parameters of a model.
- **Standard 5-5:** Defines requirements for collection of sufficient factual data, in both qualitative and quantitative terms, necessary to produce credible appraisal results. The property characteristics collected must be contemporaneous with the effective date of the appraisal. The data collection program should incorporate a quality control procedure, including checks and audits of the data to ensure current and consistent records. This rule also calls for calls for an appraiser, in developing income and expense statements and cashflow projections, to weigh historical information and trends, current market factors affecting such trends, and reasonably anticipated events, such as competition from developments either planned or under construction. Terms and conditions of any leases should be analyzed, as well as the need for and extent of any physical inspection of the properties being appraised.

- **Standard 5-6:** Defines requirements for application of a calibrated model to the property being appraised. This rule calls for: the appraiser to recognize methods or techniques based on the cost, market, and income approaches for improved parcels; the appraiser to value sites by recognized methods or techniques such as allocation method, abstraction method, capitalization of ground rent, and land residual; the appraiser to develop value of leased fee or leasehold estates with consideration for terms and conditions of existing leases, and, when applicable by law, as if held in fee simple whereas market rents are substituted for actual contract rents; the appraiser to analyze the effect on value, if any, of the assemblage of the various parcels, divided interests, or component parts of a property; the appraiser to analyze anticipated public or private improvements located on or off the site, and analyze the effect on value, if any, of such anticipated improvements to the extent they are reflected in market actions.
- **Standard 5-7:** Defines the reconciliation process of a mass appraisal. Specifically, appraisers must analyze the results and/or applicability of the various approaches used while ensuring that, on an overall basis, standards of reasonableness and accuracy are maintained with the appraisal model selected (underline added for emphasis). It is implicit in mass appraisal that, even when properly specified and calibrated models are used, some individual value conclusions will not meet standards of reasonableness, consistency, and accuracy. Appraisers have a professional responsibility to ensure that, on an overall basis, models produce value conclusions that meet attainable standards of accuracy.
- **Standard 6-1:** Defines general requirements of a mass appraisal written report by addressing the level of information required that will allow the report to be non-misleading, clearly understood, and sufficiently qualified with any assumptions and conditions (elements of which are further detailed in the next three sections of this report that discuss P&A appraisal procedures with regards to specific categories of property).
- **Standard 6-2:** Defines specific content required to be included in a mass appraisal written report.
- **Standard 6-3:** Defines the certification of the mass appraisal written report.

The following sections of this report discuss in more detail the various elements of the development of P&A's mass appraisals and associated written reports as required by USPAP Standards 5 and 6, with regards to P&A appraisal of Mineral Interests, Industrial, Utility, Related Personal Property, and Real Estate.

USPAP STANDARDS 5, 6-1, 6-2: MASS APPRAISAL OF MINERAL INTERESTS

INTRODUCTION

Definition of Appraisal Responsibility (Scope of Effort): The Mineral Valuation Department of Pritchard & Abbott, Inc. ("P&A" hereinafter), is responsible for developing credible values for mineral interests (full or fractional percentage ownership of oil and gas leasehold interest, the amount and type of which are legally and/or contractually created and specified through deeds and leases, et.al.) associated with producing (or capable of producing) leases. Mineral interests are typically considered real property because of their derivation from the bundle of rights associated with original fee simple ownership of land. Typically all the mineral interests that apply to a single producing lease are consolidated by type (working vs. royalty) with each type then appraised for full value which is then distributed to the various fractional decimal interest owners prorata to their individual type and percentage amount.

P&A's typical client is a governmental entity charged with appraisal responsibility for ad valorem tax purposes, although other types of clients (private businesses, individuals, etc.) occasionally contract for appraisal services which are strictly for various non-ad valorem tax purposes so that no conflicts of interest are created with P&A's core ad valorem tax work.

P&A hereby makes the **assumption** that, in all appraisal assignments performed for governmental entities in satisfaction of contractual obligations related to ad valorem tax, the client does not wish to or cannot legally request the appraisal report not identify the client.

Intended users of our reports are typically the client(s) for which we are under direct contract. Although taxpayers or their agents who own and/or represent the subject property being appraised often receive these reports either by law or as a courtesy of the client or P&A, this receipt does not mean these parties automatically become Intended Users as defined by USPAP. **A party receiving a copy of a report in order to satisfy disclosure requirements does not become an intended user of the appraisal or mass appraisal unless the appraiser specifically identifies such party as an intended user.** Potential other users include parties involved in adjudication of valuation disputes (review board members, lawyers, judges, etc.), governmental agencies which periodically review our appraisals for various statutory purposes (such as the Texas Comptroller's Office) and private parties who may obtain copies of our appraisals through Open Records Requests made to governmental agencies.

This section of P&A's USPAP report is not applicable to any mineral or mineral interest property that an appraisal district appraises outside of P&A's appraisal services, in which case the appraisal district's overall USPAP report should be referenced.

P&A makes the **Extraordinary Assumption** that all properties appraised for ad valorem tax purposes are marketable whereas ownership and title to property are free of encumbrances and other restrictions that would affect fair market value to an extent not obvious to the general marketplace. If and/or when we are made aware of any encumbrances, etc., these would be taken into account in our appraisal in which case the extraordinary assumption stated above would be revoked.

P&A is typically under contract to determine current market value or "fair market value" of said mineral interests. Fair market value is typically described as the price at which a property would sell for if:

- exposed in the open market with a reasonable time for the seller to find a purchaser;

- both the buyer and seller know of all the uses and purposes to which the property is, or can be, adapted and of the enforceable restrictions on its use; and
- both the buyer and seller seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other. [Exigencies are pressing or urgent conditions that leave one party at a disadvantage to the other.]

For ad valorem tax purposes the effective date is usually legislatively specified by the particular State in which we are working - for example, in Texas the lien date is January 1 per the Texas Property Tax Code. For ad valorem tax purposes, the date of the appraisals and reports are typically several months past the effective date, thereby leaving open the possibility that a retrospective approach is appropriate under limited and prescribed circumstances (information after the effective date being applicable only if it confirms a trend or other appraisal condition that existed and was generally known as of the effective date).

P&A believes this section of this report, in conjunction with any attached or separately provided P&A-generated report(s), meets the USPAP definition of “typical practice”; i.e., it satisfies a level of work that is consistent with:

- the expectations of participants in the market for the same or similar appraisal services; and
- what P&A’s peers’ actions would be in performing the same or similar appraisal services in compliance with USPAP.

Legal and Statutory Requirements: In Texas, the provisions of the Texas Property Tax Code and other relevant legislative measures involving appraisal administration and procedures control the work of P&A as an extension of the Appraisal District. Other states in which P&A is employed will have similar controlling legislation, regulatory agencies, and governmental entities. P&A is responsible for appraising property on the basis of its fair market value as of the stated effective date (January 1 in Texas) for ad valorem tax purposes for each taxing unit that imposes ad valorem taxes on property in the contracted Appraisal District. All mineral properties (interests) are reappraised annually. The definition of Fair Market Value is provided and promulgated for use in ad valorem tax work in Texas by the Texas Property Tax Code, and therefore as a **Jurisdictional Exception** supercedes the definition of “market value” as found in USPAP definitions.

NOTE: IN TEXAS, P&A BELIEVES THE PROPERTY BEING APPRAISED AND PLACED ON THE TAX ROLL IS THE INTEREST AND NOT THE OIL OR GAS MINERAL ITSELF, PER PROPERTY TAX CODE SECTION 1.04(2)(F). WHILE OIL AND GAS RESERVES CERTAINLY HAVE VALUE, THE FACT IS THAT IT IS THE INTERESTS IN THESE MINERALS THAT ARE BOUGHT AND SOLD, NOT THE MINERALS THEMSELVES. THE SALE OF MINERALS AS THEY ARE EXTRACTED FROM THE SUBSURFACE OF THE LAND WHERE THEY RESIDE AS MINERALS IN PLACE “MONETIZES” THE INTEREST AND THUS GIVES THE INTEREST ITS VALUE. WHENEVER P&A REFERS TO “MINERAL PROPERTIES” IN THIS REPORT OR IN ANY OTHER SETTING, IT IS THE MINERAL INTEREST, AND NOT THE MINERAL ITSELF, THAT IS THE SUBJECT OF THE REFERENCE.

Administrative Requirements: P&A endorses the principals of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures. P&A also endorses, and follows when possible, the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP). In all cases where IAAO and/or USPAP requirements cannot be satisfied for reasons of practicality or irrelevancy, P&A subscribes to “generally accepted appraisal methods and techniques” so that its value conclusions are credible and defensible. P&A submits annual or biannual contract bids to the Appraisal District Board of Directors or the Office of the Chief Appraiser and is bound to produce appraisal estimates on mineral properties within the cost constraints of said bid. Any appraisal practices and procedures followed by P&A not explicitly defined or allowed through IAAO or USPAP requirements are specified by the Texas Property Tax Code or at the specific request or direction of the Office of the Chief Appraiser.

Appraisal Resources

Personnel: The Mineral Valuation Division staff consists of competent Petroleum Engineers, Geologists, and Appraisers. All personnel are Registered Professional Appraisers with the State of Texas, or are progressing towards this designation within the allowable time frames prescribed by the Texas Department of Licensing and Regulation (TDLR) and/or other licensing and regulatory agencies as applicable.

Data: For each mineral property a common set of data characteristics (i.e. historical production, price and expense data) is collected from various sources and entered into P&A's mainframe computer system. Historical production data and price data is available through state agencies (Texas Railroad Commission, Texas Comptroller, et al.) or private firms who gather, format and repackage such data for sale commercially. Each property's characteristic data drives the computer-assisted mass appraisal approach to valuation.

Information Systems: The mainframe systems are augmented by the databases that serve the various in-house and 3rd-party applications on desktop personal computers. In addition, communication and dissemination of appraisals and other information is available to the taxpayer and client through electronic means including internet and other phone-line connectivity. The appraiser supervising any given contract fields many of the public's questions or redirects them to the proper department personnel.

VALUATION APPROACH (MODEL SPECIFICATION)

Concepts of Value: The valuation of oil and gas properties is not an exact science, and exact accuracy is not attainable due to many factors. Nevertheless, standards of reasonable performance do exist, and there are usually reliable means of measuring and applying these standards.

Petroleum properties are subject to depletion, and capital investment must be returned before economic exhaustion of the resource (mineral reserves). The examination of petroleum properties involves understanding the geology of the resource (producing and non-producing), type of reservoir energy, the methods of secondary and enhanced recovery (if applicable), and the surface treatment and marketability of the produced petroleum product(s).

Evaluation of mineral properties is a continuous process; the value as of the lien date merely represents a "snapshot" in time. The potential value of mineral interests derived from sale of minerals to be extracted from the ground change with mineral price fluctuation in the open market, changes in extraction technology, costs of extraction, and other variables such as the value of money.

Approaches to Value for Petroleum Property

Cost Approach: The use of cost data in an appraisal for market value is based upon the economic principle of substitution. The cost approach typically derives value by a model that begins with replacement cost new (RCN) and then applies depreciation in all its forms (physical depreciation, functional and economic obsolescence). This method is difficult to apply to oil and gas properties since lease acquisition and development may bear no relation to present worth. Though very useful in the appraisal of many other types of properties, the cost approach is not readily applicable to mineral properties. [Keep in mind that the property actually being appraised is the mineral interest and not the oil and gas reserves themselves. Trying to apply the cost approach to evaluation of mineral interests is like trying to apply the cost approach to land; it is a moot point because both are real properties that are inherently non-replaceable.] **As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., does not employ the cost approach in the appraisal of mineral interests.**

Market Approach: This approach may be defined as one which uses data available from actual transactions recorded in the market place itself; i.e., sales of comparable properties from which a comparison to the subject property can be made. Ideally, this approach's main advantage involves not only an opinion but an opinion supported by the actual spending of money. Although at first glance this approach seems to more closely incorporate the aspects of fair market value per its classical definition, there are two factors that severely limit the usefulness of the market approach for appraising oil and gas properties. First, oil and gas property sales data is seldom disclosed (in non-disclosure states such as Texas); consequently there is usually a severe lack of market data sufficient for meaningful statistical analysis. Second, all conditions of each sale must be known and carefully investigated to be sure one does have a comparative indicator of value per fair market value prerequisites.

Many times when these properties do change hands, it is generally through company mergers and acquisitions where other assets in addition to oil and gas reserves are involved; this further complicates the analysis whereby a total purchase price must be allocated to the individual components - a speculative and somewhat arbitrary task at best. In the case of oil and gas properties, a scarcity of sales requires that every evidence of market data be investigated and analyzed. Factors relative to the sale of oil and gas properties are:

- current production and estimated declines forecast by the buyer;
- estimated probable and potential reserves;
- general lease and legal information which defines privileges or limitation of the equity sold;
- undeveloped potential such as secondary recovery prospects;
- proximity to other production already operated by the purchaser;
- contingencies and other cash equivalents; and
- other factors such as size of property, gravity of oil, etc.

In the event that all these factors are available for analysis, the consensus effort would be tantamount to performing an income approach to value (or trying to duplicate the buyer's income approach to value), thereby making the market approach somewhat moot in its applicability. **As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., rarely employs a rigorous application of the market approach in the appraisal of mineral interests.**

Income Approach: This approach to value most readily yields itself to the appraisal of mineral interests. Data is readily available whereby a model can be created that reasonable estimates a future income stream to the property. This future income may then be converted (discounted) into an estimate of current value. Many refer to this as a capitalization method, because capitalization is the process of converting an income stream into a capital sum (value). As with any method, the final value is no better than the reliability of the input data. The underlying assumption is that people purchase the property for the future income the property will yield. If the land or improvements are of any residual value after the cessation of oil and gas production, that value should also be included (if those components are also being appraised).

The relevant income that should be used is the expected future net income. Assumptions of this method are:

- Past income and expenses are not a consideration, except insofar as they may be a guide to estimating future net income.
- That the producing life as well as the reserves (quantity of the minerals) are estimated for the property.
- Future income is less valuable than current income, and so future net income must be discounted to make it equivalent to the present income. This discount factor reflects the premium of present money over future money, i.e., interest rate, liquidity, investment management, and risk.

As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., relies predominantly on the income approach to value in the appraisal of mineral interests.

DATA COLLECTION/VALIDATION

Sources of Data: The main source of P&A's property data is data from the Railroad Commission of Texas as reported by operators. As a monthly activity, the data processing department receives data tapes or electronic files which have updated and new well and production data. Other discovery tools are fieldwork by appraisers, financial data from operators, information from chief appraisers, tax assessors, trade publications and city and local newspapers. Other members of the public often provide P&A information regarding new wells and other useful facts related to property valuation.

Another crucial set of data to obtain is the ownership of these mineral interests. Typically a mineral lease is fractionated and executed with several if not many owners. This information is typically requested (under a promise of confidentiality concerning owners' personal information) from pipeline purchasers and/or other entities (such as operators) who have the responsibility of disbursing the income to the mineral interest owners. Another source of ownership information is through the taxpayers themselves who file deeds of ownership transfer and/or correspond with P&A or the appraisal district directly.

Data Collection Procedures: Electronic and field data collection requires organization, planning and supervision of the appraisal staff. Data collection procedures for mineral properties are generally accomplished globally by the company; i.e., production and price data for the entire state is downloaded at one time into the computer system. Appraisers also individually gather and record specific and particular information to the appraisal file records, which serves as the basis for the valuation of mineral properties. P&A is divided into four district offices covering different geographic areas. Each office has a district manager, appraisal and ownership maintenance staff, and clerical staff as appropriate. While overall standards of performance are established and upheld for the various district offices, quality of data is emphasized as the goal and responsibility of each appraiser.

VALUATION ANALYSIS (MODEL CALIBRATION)

Appropriate revisions and/or enhancements of schedules or discounted cash flow software are annually made and then tested prior to the appraisals being performed. Calibration typically involves performing multiple discounted cash flow tests for leases with varying parameter input to check the correlation and relationship of such indicators as: Dollars of Value Per Barrel of Reserves; Dollars of Value Per Daily Average Barrel Produced; Dollars of Expense Per Daily Average Barrel Produced; Years Payout of Purchase Price (Fair Market Value). In a more classical calibration procedure, the validity of values by P&A's income approach to value is tested against actual market transactions, if and when these transactions and verifiable details of these transactions are disclosed to P&A. Of course these transactions must be analyzed for meeting all requisites of fair market value definition. Any conclusions of this analysis are then compared to industry benchmarks for reasonableness before being incorporated into the calibration procedure.

INDIVIDUAL VALUE REVIEW PROCEDURES

Individual property values are reviewed several times in the appraisal process. P&A's discounted cashflow software dynamically generates various benchmark indicators that the appraiser reviews concurrent with the value being generated. These benchmarks often prompt the appraiser to reevaluate some or all of the parameters of data

entry so as to arrive at a value more indicative of industry standards. Examples of indicators are dollars of value per barrel of oil reserve, years payout, etc. In addition to appraiser review, taxpayers are afforded the opportunity to review the appraised values, either before or after Notices of Appraised Value are prepared. Operators routinely meet with P&A's appraisers to review parameters and to provide data not readily available to P&A through public or commercial sources, such as individual lease operating expense and reserve figures. And of course, all property values are subject to review through normal protest and Appraisal Review Board procedures, with P&A acting as an extension of the Office of the Chief Appraiser.

PERFORMANCE TESTS

An independent test of the appraisal performance of properties appraised by P&A is conducted by the State of Texas Comptroller's Office through the annual Property Value Study for school funding purposes. This study determines the degree of uniformity and the median level of appraisal for mineral properties. School jurisdictions are given an opportunity to appeal any preliminary findings. After the appeal process is resolved, the Comptroller publishes a report of the findings of the study, including in the report the median level of appraisal, the coefficient of dispersion around the median level of appraisal and any other standard statistical measures that the Comptroller considers appropriate.

USPAP STANDARDS 5, 6-1, 6-2: MASS APPRAISAL OF INDUSTRIAL, UTILITY AND RELATED PERSONAL PROPERTY

INTRODUCTION

Definition of Appraisal Responsibility (Scope of Effort): The Engineering Services Department of Pritchard & Abbott, Inc. (P&A) is responsible for developing fair and uniform market values for industrial, utility and personal properties.

P&A's typical client is a governmental entity charged with appraisal responsibility for ad valorem tax purposes, although other types of clients (private businesses, individuals, etc.) occasionally contract for appraisal services which are strictly for various non-ad valorem tax purposes so that no conflicts of interest are created with P&A's core ad valorem tax work.

P&A hereby makes the **assumption** that, in all appraisal assignments performed for governmental entities in satisfaction of contractual obligations related to ad valorem tax, the client does not wish to or cannot legally request the appraisal report not identify the client.

Intended users of our reports are typically the client(s) for which we are under direct contract. Although taxpayers or their agents who own and/or represent the subject property being appraised often receive these reports either by law or as a courtesy of the client or P&A, this receipt does not mean these parties automatically become Intended Users as defined by USPAP. **A party receiving a copy of a report in order to satisfy disclosure requirements does not become an intended user of the appraisal or mass appraisal unless the appraiser specifically identifies such party as an intended user.** Potential other users include parties involved in adjudication of valuation disputes (review board members, lawyers, judges, etc.), governmental agencies which periodically review our appraisals for various statutory purposes (such as the Texas Comptroller's Office) and private parties who may obtain copies of our appraisals through Open Records Requests made to governmental agencies.

This section of P&A's USPAP report is not applicable to any Industrial, Utility, or related Personal Property that an appraisal district appraises outside of P&A's appraisal services, in which case the appraisal district's overall USPAP report should be referenced.

P&A makes the **Extraordinary Assumption** that all properties appraised for ad valorem tax purposes are marketable whereas ownership and title to property are free of encumbrances and other restrictions that would affect fair market value to an extent not obvious to the general marketplace. If and/or when we are made aware of any encumbrances, etc., these would be taken into account in our appraisal in which case the extraordinary assumption stated above would be revoked.

P&A is typically under contract to determine current market value or "fair market value" of said industrial, utility, and related personal property. Fair market value is typically described as the price at which a property would sell for if:

- exposed in the open market with a reasonable time for the seller to find a purchaser;
- both the buyer and seller know of all the uses and purposes to which the property is, or can be, adapted and of the enforceable restrictions on its use; and

- both the buyer and seller seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other. [Exigencies are pressing or urgent conditions that leave one party at a disadvantage to the other.]

For ad valorem tax purposes the effective date is usually legislatively specified by the particular State in which we are working - for example, in Texas the lien date is January 1 per the Texas Property Tax Code. For ad valorem tax purposes, the date of the appraisals and reports are typically several months past the effective date, thereby leaving open the possibility that a retrospective approach is appropriate under limited and prescribed circumstances (information after the effective date being applicable only if it confirms a trend or other appraisal condition that existed and was generally known as of the effective date).

P&A believes this section of this report, in conjunction with any attached or separately provided P&A-generated report(s), meets the USPAP definition of “typical practice”; i.e., it satisfies a level of work that is consistent with:

- the expectations of participants in the market for the same or similar appraisal services; and
- what P&A’s peers’ actions would be in performing the same or similar appraisal services in compliance with USPAP.

Legal and Statutory Requirements: The provisions of the Texas Property Tax Code and relevant legislative measures involving appraisal administration and procedures control the work of P&A as a subcontractor to the Appraisal District. P&A is responsible for appraising property on the basis of its market value as of January 1 for ad valorem tax purposes for each taxing unit that imposes ad valorem taxes on property in the contracted Appraisal District. All industrial, utility and personal properties are reappraised annually. The definition of Fair Market Value is provided and promulgated for use in ad valorem tax work in Texas by the Texas Property Tax Code, and therefore as a **Jurisdictional Exception** supercedes the definition of “market value” as found in USPAP definitions.

Administrative Requirements: P&A follows generally accepted and/or recognized appraisal practices and when applicable, the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures. P&A, when applicable, also subscribes to the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP). In all cases where IAAO and/or USPAP requirements cannot be satisfied for reasons of practicality or irrelevancy, P&A subscribes to “generally accepted appraisal methods and techniques” so that its value conclusions are credible and defensible. P&A submits annual or biannual contract bids to the Office of the Chief Appraiser and is bound to produce appraisal estimates on industrial, utility and personal properties within the cost constraints of said bid. Any appraisal practices and procedures followed by P&A not explicitly defined through IAAO or USPAP requirements are specified by the Texas Property Tax Code and/or at the specific request or direction of the Office of the Chief Appraiser.

Appraisal Resources

Personnel: The Engineering Services Department and P&A’s appraisal staff consists of appraisers with degrees in engineering, business and accounting. All personnel are Registered Professional Appraisers with the State of Texas, or are progressing towards this designation as prescribed by the Texas Department of Licensing and Regulation (TDLR).

Data: A set of data characteristics (i.e. original cost, year of acquisition, quantities, capacities, net operating income, property description, etc.) for each industrial, utility and personal property is collected from various sources. This data is maintained in either hard copy or computer files. Each property's characteristic data drives the appropriate computer-assisted appraisal approach to valuation.

Information Systems: P&A's mainframe computer system is composed of in-house custom software augmented by schedules and databases that reside as various applications on personal computers (PC). P&A offers a variety of systems for providing property owners and public entities with information services.

VALUATION APPROACH (MODEL SPECIFICATION)

Concepts of Value: The valuation of industrial, utility and personal properties is not an exact science, and exact accuracy is not attainable due to many factors. These are considered complex properties and some are considered Special Purpose properties. Nevertheless, standards of reasonable performance do exist, and there are reliable means of measuring and applying these standards.

The evaluation and appraisal of industrial, utility and personal property relies heavily on the discovery of the property followed by the application of recognized appraisal techniques. The property is subject to inflation and depreciation in all forms. The appraisal of industrial and personal property involves understanding petroleum, chemical, steel, electrical power, lumber and paper industry processes along with a myriad of other industrial processes. Economic potential for this property usually follows either the specific industry or the general business economy. The appraisal of utility properties involves understanding telecommunications, electrical transmission and distribution, petroleum pipelines and the railroad industry. Utility properties are subject to regulation and economic obsolescence. The examination of utility property involves the understanding of the present value of future income in a regulated environment.

The goal for valuation of industrial, utility and personal properties is to appraise all taxable property at "fair market value". The Texas Property Tax Code defines Fair Market value as the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

- exposed for sale in the open market with a reasonable time for the seller to find a purchaser;
- both the seller and the purchaser know of all the uses and purposes to which the property is adapted and for which it is capable of being used and of the enforceable restrictions on its use; and
- both the seller and purchaser seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.

Approaches to Value for Industrial, Utility, and Personal Property

Cost Approach: The use of cost data in an appraisal for market value is based upon the economic principle of substitution. This method is most readily applicable to the appraisal of industrial and personal property and some utility property. Under this method, the market value of property equals the value of the land plus the current cost of improvements less accrued depreciation. An inventory of the plant improvements and machinery and equipment is maintained by personally inspecting each facility every year. **As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., relies predominantly on the cost approach to value in the appraisal of industrial, utility, and personal property.**

Market Approach: This approach is characterized as one that uses sales data available from actual transactions in the market place. There are two factors that severely limit the usefulness of the market approach for appraising industrial, utility and personal properties. First, the property sales data is seldom disclosed; consequently there is insufficient market data for these properties available for meaningful statistical analysis. Second, all conditions of sale must be known and carefully investigated to be sure one does have a comparative indicator of value. Many times when these properties do change hands, it is generally through company mergers and acquisitions where other assets and intangibles in addition to the industrial, utility and personal property are involved. The complexity of these sales presents unique challenges and hindrances to the process of allocation of value to the individual components of the transaction.

In the case of industrial, utility and personal properties, a scarcity of sales requires that all evidence of market data be investigated and analyzed. Factors relative to the sale of these properties are:

- plant capacity and current production; terms of sale, cash or equivalent;
- complexity of property;
- age of property;
- proximity to other industry already operated by the purchaser; and
- other factors such as capital investment in the property.

As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., rarely employs a rigorous application of the market approach in the appraisal of industrial, utility, and personal property.

Income Approach: This approach to value most readily yields itself to all income generating assets, especially utility properties. Data for utility properties is available from annual reports submitted to regulatory agencies whereby future income may be estimated, and then this future income may be converted into an estimate of value. The valuation of an entire company by this method is sometimes referred to as a Unit Value. Many refer to this as a capitalization method, because capitalization is the process of converting an income stream into a capital sum (value). As with any method, the final value estimate is no better than the reliability of the input data. The underlying assumption is that people purchase the property for the future income the property will yield.

The relevant income that should be used in the valuation model is the expected future net operating income after depreciation but before interest expense (adjustments for Federal Income Taxes may or may not be required). Assumptions of this method are:

- Past income and expenses are a consideration, insofar as they may be a guide to future income, subject to regulation and competition.
- The economic life of the property can be estimated.
- The future production, revenues and expenses can be accurately forecasted. Future income is less valuable than current income, and so future net income must be discounted to make it equivalent to the present income. This discount factor reflects the premium of present money over future money, i.e., interest rate, liquidity, investment management, and risk.

As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., employs the income approach in the appraisal of industrial and utility property only when quantifiable levels of income are able to be reliably determined and/or projected for the subject property. P&A does not employ the income approach in the appraisal of personal property.

DATA COLLECTION/VALIDATION

Sources of Data: The main source of P&A's property data for industrial and personal property is through fieldwork by the appraisers and commercially/publicly available schedules developed on current costs. Data for performing utility appraisals is typically provided by the taxpayer or is otherwise available at various regulatory agencies (Texas Railroad Commission, Public Utilities Commission, FERC, et. al.). Other discovery tools are financial data from annual reports, information from chief appraisers, renditions, tax assessors, trade publications and city and local newspapers. Other members of the public often provide P&A information regarding new industry and other useful facts related to property valuation.

Data Collection Procedures: Electronic and field data collection requires organization, planning and supervision of the appraisal staff. Data collection procedures have been established for industrial and personal properties. Appraisers gather and record information in the mainframe system, where customized programs serve as the basis for the valuation of industrial, utility and personal properties. P&A is divided into multiple district offices covering different geographic zones. Each office has a district manager and field staff. While overall standards of performance are established and upheld for the various district offices, quality of data is emphasized as the goal and responsibility of each appraiser. Additionally, P&A's Engineering Services Department provides supervision and guidance to all district offices to assist in maintaining uniform and consistent appraisal practices throughout the company.

VALUATION ANALYSIS (MODEL CALIBRATION)

The validity of the values by P&A's income and cost approaches to value is tested against actual market transactions, if and when these transactions and verifiable details of the transactions are disclosed to P&A. These transactions are checked for meeting all requisites of fair market value definition. Any conclusions from this analysis are also compared to industry benchmarks before being incorporated in the calibration procedure. Appropriate revisions of cost schedules and appraisal software are annually made and then tested for reasonableness prior to the appraisals being performed.

INDIVIDUAL VALUE REVIEW PROCEDURES

Individual property values are reviewed several times in the appraisal process. P&A's industrial, utility, personal property programs and appraisal spreadsheets afford the appraiser the opportunity to review the value being generated. Often the appraiser is prompted to reevaluate some or all of the parameters of data entry so as to arrive at a value more indicative of industry standards. Examples of indicators are original cost, replacement cost, service life, age, net operating income, capitalization rate, etc. In addition to appraiser review, taxpayers are afforded the opportunity to review the appraised values either before or after Notices of Appraised Value are prepared. Taxpayers, agents and representatives routinely meet with P&A's appraisers to review parameters and to provide data not readily available to P&A through public or commercial sources, such as investment costs and capitalization rate studies. And of course, all property values are subject to review through normal protest and Appraisal Review Board procedures, with P&A acting as a representative of the Office of the Chief Appraiser.

PERFORMANCE TESTS

An independent test of the appraisal performance of properties appraised by P&A is conducted by the State of Texas Comptroller's Office through the annual Property Value Study for school funding purposes. This study determines the degree of uniformity and the median level of appraisal for utility properties. School jurisdictions are given an opportunity to appeal any preliminary findings. After the appeal process is resolved, the Comptroller publishes a report of the findings of the study, including in the report the median level of appraisal, the coefficient of dispersion around the median level of appraisal and any other standard statistical measures that the Comptroller considers appropriate.

THE APPRAISAL OF
MINERAL, INDUSTRIAL, UTILITY, PERSONAL PROPERTY
AND
RESIDENTIAL REAL ESTATE
AS PER
UNIFORM STANDARDS OF
PROFESSIONAL APPRAISAL PRACTICE
(USPAP)

Effective January 1, 2020
(Applicable for Tax Years 2020, 2021, and 2022*)

**On February 19, 2021, The Appraisal Foundation's Appraisal Standards Board (ASB) announced that the current edition of the Uniform Standards of Professional Appraisal Practice (USPAP) would be extended by one year. The 2020-2021 USPAP will now be effective until December 31, 2022.*

Includes, in part, the Written Mass Appraisal Report and Certification as promulgated by USPAP Standards 6-1 through 6-3. This report was assembled in part with direct reference to the 2020-2021 Edition of USPAP as published by the Appraisal Standards Board of The Appraisal Foundation, authorized by United States Congress as the Source of Appraisal Standards and Appraiser Qualifications.

This report is intended to satisfy the requirements of S.B. 841, enacted by Acts 1997, 75th Leg., ch. 1039, § 22, effective January 1, 1998; amended by Acts 1999, 76th Leg., ch. 1295 (S.B. 1641), § 1, effective January 1, 2000, when performing mass appraisals for ad valorem (property) tax purposes. This report is a work product of Pritchard & Abbott, Inc., Valuation Consultants (P&A), developed on behalf of, and for exclusive use by, P&A's valuation clients. Written permission must be obtained before reproduction of these contents or distribution to outside parties.

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POLICY STATEMENT OF PRITCHARD & ABBOTT, INC., ON THE UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE

Pritchard & Abbott, Inc., (P&A), a privately held company engaged primarily, but not wholly, in the ad valorem tax valuation industry endorses Uniform Standards of Professional Appraisal Practice (USPAP) as the basis for the production of sound appraisals. Insofar as the statutory requirement to appraise groups (or a “universe”) of real and personal property within an established period of time using standardized procedures—and subjecting the resulting appraisals to statistical measures—is the definition of mass appraisal, P&A subscribes to USPAP Standards 5 and 6 (Mass Appraisal, Development and Reporting) whenever applicable in the development and defense of values. When circumstances clearly dictate the use of single property appraisal procedures, P&A adheres to the spirit and intent of the remaining USPAP Standards within all appropriate, practical, and/or contractual limitations or specifications.

This “USPAP Report” provides general information about the rather comprehensive USPAP Scope of Work rule, as well as the specific steps P&A takes in the actual appraisal of various property types per our contractual obligations. This report, as well as the Biennial Reappraisal Plan that P&A provides our clients before the appraisal season, should not be confused or conflated with an “appraisal manual” or other “how-to” guide which may or may not exist within P&A for any particular property type we appraise.

This report discusses all additional USPAP rules that interact with the Scope of Work Rule, such as the Ethics Rule, the Competency Rule, the Record Keeping Rule, and Jurisdictional Exception Rule, as well as USPAP Definitions. This report, and specifically the certification page at the end, is meant to accompany our appraisals and supporting documentation provided to clients per Property Tax Code, Sec. 25.01(c) at the completion of each tax year. An appraisal season thus begins with an appraisal plan (approved by the CAD's Board of Directors) and ends with appraisal reports. Providing these reports is definitely part of the plan. Likewise, much of the verbiage in this “USPAP report” is a reiteration of the Biennial Reappraisal Plan.

USPAP defines “appraisal” as the act or process of developing an opinion of value or pertaining to appraising and related functions such as appraisal practice or appraisal services. Valuation services is defined as services pertaining to an aspect of property value, regardless of the type of service and whether it is performed by appraisers or by others. The USPAP definition of “appraiser” is one who is expected to perform valuation services competently and in a manner that is *independent, impartial, and objective*. USPAP Advisory Opinion 21: *USPAP Compliance* states that this expectation (by clients and intended users of appraisal reports) is the basis that creates an ethical obligation to comply with USPAP, even if not legally required. Advisory opinions do not establish new standards or interpret existing standards, but instead are issued to illustrate the applicability of appraisal standards in specific situations.

The majority of property types that P&A typically appraises for ad valorem tax purposes are categorized as unique, complex, and/or “special purpose” properties (mineral interests, industrial, utility, and related personal property). These categories of properties do not normally provide sufficient market data of reliable quality and/or quantity to support the rigorous use of all USPAP-prescribed mass appraisal development mandates (Standard 5: Mass Appraisal, Development), particularly with regards to some, but not all, of the *model calibration* and *statistical performance testing* confines. However, P&A does strive to employ all or most elements of mass appraisal techniques with regards to the *definition* and *identification of property* characteristics and *model specification* and application.

Per USPAP Advisory Opinion 32: *Ad Valorem Property Tax Appraisal and Mass Appraisal Assignments*, in the interests of equity, the scope of work in mass appraisal assignments for ad valorem taxation can include consideration of appraisal level (the overall proximity between appraised values and actual prices) and the uniformity of property values (equity within groups of like properties). The appraiser is responsible for

recognizing when the concepts of appraisal level and appraisal uniformity are necessary for credible assignment results in a mass appraisal assignment for ad valorem taxation.

Residential real estate property appraisers most frequently apply mass appraisal methods within the sales comparison (market) approach to value. Through the use of standardized data collection (i.e., actual market sales), specification and calibration of mass appraisal models, tables, and schedules are possible. Through ratio study analysis and other performance measures, a cumulative summary of valuation accuracy can thus be produced in order to calibrate the appraisal model(s). Where sufficient data of reliable quality exists, mass appraisal is also used for other types of real estate property such as farms, vacant lots, and some commercial uses (e.g., apartments, offices, and small retail).

Regarding mass appraisal reports due the client and other intended users per USPAP (Standard 6 (Mass Appraisal, Reporting), a written report of the mass appraisal as described in Standards 6-2 is not provided for each individual property. An individual property record or worksheet may describe the valuation of the specific property after the application of the mass appraisal model. To understand the individual property result developed in a mass appraisal requires the examination of all the information and analysis required by Standards 6-2.

P&A will clearly state or otherwise make known all extraordinary assumptions, hypothetical conditions, limitations imposed by assignment conditions, and/or jurisdictional exceptions in its appraisal reports as they are conveyed to our clients. *Intended users of our reports are typically the client(s) for which we are under direct contract.* Although taxpayers or their agents who own and/or represent the subject property being appraised often receive these reports either by law or as a courtesy of the client or P&A, this receipt does not mean these parties automatically become Intended Users as defined by USPAP. *A party receiving a copy of a report in order to satisfy disclosure requirements does not become an intended user of the appraisal or mass appraisal unless the appraiser specifically identifies such party as an intended user.* Potential other users include parties involved in adjudication of valuation disputes (review board members, lawyers, judges, etc.), governmental agencies which periodically review our appraisals for various statutory purposes (such as the Texas Comptroller's Office) and private parties who may obtain copies of our appraisals through Open Records Requests made to governmental agencies.

USPAP does not currently address communications of assignment results prior to completion of the assignment, thus such communications have no requirements other than to comply with the general requirements in the Ethics Rule, the Competency Rule, and the Jurisdictional Exception Rule. The client and all intended users should be aware that mass appraisals, as opposed to most "fee" appraisals, are somewhat inherently "limited" versus "complete" and that appraisal reports, unless otherwise contracted for by the client, will most often be of a "restricted" nature whereas explanations of appraisal methods and results are more concise versus lengthy in order to promote brevity, clarity, and transparency to the intended user(s).

Per USPAP, the appropriate reporting option and level of information in a report are dependant on the intended use and the intended users. Although the reporting verbiage in USPAP Standard 6 does not specifically offer or promulgate a "Restricted Appraisal Report" such as in Standard 2 (Real Property Appraisal, Reporting) and Standard 8 (Personal Property Appraisal, Reporting), it should be noted that: a) all mass appraisals and mass appraisal reports deal with real and personal property in some form or fashion; and b) P&A is a private consulting firm, a fact which may necessitate the withholding of certain data and/or appraisal models/techniques which are deemed confidential, privileged and/or proprietary in nature. The use of "limited" appraisals in conjunction with "restricted" reports in no way implies non-compliance with USPAP. *The substantive content of a report determines its compliance.*

P&A believes that, with its vast experience and expertise in these areas of appraisal, all concluded values and reports thereof are credible, competent, understandable, uniform and consistent; and most importantly for ad valorem tax purposes, accomplished in a cost-efficient and timely manner.

Per previous ASB comments under Standard 6-2(b) [*scope of work... special limiting conditions*]:

“Although appraisers in ad valorem taxation should not be held accountable for limitations beyond their control, they are required by this specific requirement to identify cost constraints and to take appropriate steps to secure sufficient funding to produce appraisals that comply with these standards. Expenditure levels for assessment administration are a function of a number of factors. Fiscal constraints may impact data completeness and accuracy, valuation methods, and valuation accuracy. Although appraisers should seek adequate funding and disclose the impact of fiscal constraints on the mass appraisal process, they are not responsible for constraints beyond their control.”

In any event, however, it is not P&A’s intent to allow constraints, fiscal or otherwise, to limit the scope of work to such a degree that the mass appraisal results provided to our clients are not credible within the context of the intended use(s) of the appraisal.

CHANGES FROM 2018-19 EDITION OF USPAP

The Appraisal Foundation, through its Appraisal Standards Board, constantly seeks to clarify and improve where possible the previously published edition of USPAP. Below is a summary of the changes applicable to the current edition as they apply to P&A's mass appraisal assignments and reports:

Revisions to the Standards regarding reporting options and Comments in Standards Rules

The Board adopted revisions to permit additional intended users besides the client for Restricted Appraisal Reports, as long as the other intended users are named in the report (i.e., not merely identified "by type"). The second adopted change for Restricted Appraisal Reports is a simplification of warning language that will no longer include a reference to the appraiser's workfile.

Revision of SCOPE OF WORK RULE

The Board adopted revisions to add language to the Disclosure Obligations section of the SCOPE OF WORK RULE to address the flexibility afforded the appraiser in the disclosure of scope of work.

Revisions to COMPETENCY RULE

The Board revised the "Perfection is impossible to attain..." Comment in Standards Rules 1-1, 3-1, 5-1, 7-1, and 9-1, and moved it into to the COMPETENCY RULE. Moving the Comment into the COMPETENCY RULE reduces duplication and, at the same time, broadens the applicability since the COMPETENCY RULE applies to both development and reporting in all disciplines.

Revisions to DEFINITIONS

The Board adopted some modifications and additions to the DEFINITIONS in order to help readers better understand USPAP. The Board adopted changes to the definitions of APPRAISAL, APPRAISAL PRACTICE, APPRAISAL REVIEW, APPRAISER, ASSIGNMENT CONDITIONS, ASSIGNMENT RESULTS, CLIENT, COST, EXPOSURE TIME, MARKET VALUE, PERSONAL PROPERTY, REAL PROPERTY, VALUATION SERVICE, VALUE and WORKFILE. The Board also adopted new definitions for the terms ASSIGNMENT ELEMENTS, EFFECTIVE DATE, MISLEADING, PERSONAL INSPECTION, PHYSICAL CHARACTERISTICS, and RELEVANT CHARACTERISTICS, to help clarify how each term is used in USPAP.

Other Edits to Improve Clarity and Enforceability of USPAP

The Board adopted changes related to the phrases "accept an assignment" and "intangible items." The edits are intended to improve clarity and consistency.

Revisions to ADVISORY OPINION 1, Sales History

The Board adopted revisions to Advisory Opinion 1, Sales History, to provide additional detail and illustrations related to an appraiser's obligation to analyze the listing, contract, and sales history of the subject property.

Revisions to ADVISORY OPINION 2, Inspection of Subject Property

The Board adopted revisions to Advisory Opinion 2, Inspection of Subject Property, to provide guidance and illustrations reflecting changes in the marketplace related to an appraiser's inspection of a property.

Revisions to ADVISORY OPINION 28, Scope of Work Decision, Performance, and Disclosure

The Board adopted revisions to Advisory Opinion 28, Scope of Work Decisions, Performance, and Disclosure, including a new Illustration 2 regarding a scope of work problem related to tangible personal property, and adding an additional illustration regarding a scope of work problem related to real property.

Revisions to ADVISORY OPINION 31, Assignments Involving More than One Appraiser

The Board adopted revisions to Advisory Opinion 31, Assignments Involving More than One Appraiser, to help

clarify guidance related to significant appraisal assistance and Standards Rules 2-3, 4-3, 6-3, 8-3, and 10-3.

Revisions to ADVISORY OPINION 32, Ad Valorem Property Tax Appraisal and Mass Appraisal Assignments

The Board adopted revisions to Advisory Opinion 32, Ad Valorem Property Tax Appraisal and Mass Appraisal Assignments, that adds a new Illustration 5 on the topic of an appraiser's obligations regarding the quantity and quality of factual data collected in a mass appraisal assignment.

Revisions to ADVISORY OPINION 36, Identification and Disclosure of Client, Intended Use, and Intended Users

The Board adopted revisions to Advisory Opinion 36, Identification and Disclosure of Client, Intended Use, and Intended Users, to clarify an appraiser's requirement to make a proper disclosure of the client and any other intended users in an Appraisal Report or Restricted Appraisal Report, particularly in cases where the client has requested anonymity in the report.

Creation of ADVISORY OPINION 38, Content of an Appraisal Report and Restricted Appraisal Report

The Board adopted newly-created Advisory Opinion 38, Content of an Appraisal Report and Restricted Appraisal Report. The new Advisory Opinion compares the reporting requirements under the revised Appraisal Report and Restricted Appraisal Report options, and replaces the prior guidance offered in Advisory Opinions 11 and 12.

Retirement of ADVISORY OPINION 4, Standards Rule 1-5(b); ADVISORY OPINION 11, Content of the Appraisal Report Options of Standards Rules 2-2, 8-2, and 10-2; and ADVISORY OPINION 12, Use of the Appraisal Report Options of Standards Rules 2-2, 8-2, and 10-2

The Board adopted the retirement of Advisory Opinions 4, 11, and 12. Advisory Opinion 4 was narrowly-focused, and was more appropriately housed where it also currently exists in the USPAP Frequently Asked Questions. As stated above, Advisory Opinions 11 and 12 have been replaced with the newly-created Advisory Opinion 38, Content of an Appraisal Report and Restricted Appraisal Report.

Additional administrative edits will be made to other Advisory Opinions and FAQs for consistency with the adopted changes.

DEFINITIONS

For the purpose of *Uniform Standards of Professional Appraisal Practice*, the following definitions apply:

APPRAISAL: (noun) the act or process of developing an opinion of value; an opinion of value. (adjective) of or pertaining to appraising and related functions such as appraisal practice or appraisal services.

Comment: An appraisal is numerically expressed as a specific amount, as a range of numbers, or as a relationship (e.g., not more than, not less than) to a previous value opinion or numerical benchmark (e.g., assessed value, collateral value).

APPRAISAL PRACTICE: valuation services performed by an individual acting as an appraiser, including but not limited to appraisal or appraisal review.

Comment: Appraisal practice is provided only by appraisers, while valuation services are provided by a variety of professionals and others. The terms appraisal, appraisal review, and appraisal consulting are intentionally generic and are not mutually exclusive. For example, an opinion of value may be required as part of an appraisal review assignment.

APPRAISAL REVIEW: the act or process of developing and communicating an opinion about the quality of another appraiser's work (i.e., a report, part of a report, a workfile, or some combination of these), that was performed as part of an appraisal or appraisal review assignment; (adjective) of or pertaining to an opinion about the quality of another appraiser's work that was performed as part of an appraisal or appraisal review assignment.

APPRAISER: one who is expected to perform valuation services competently and in a manner that is independent, impartial, and objective.

APPRAISER'S PEERS: other appraisers who have expertise and competency in a similar type of assignment.

ASSIGNMENT: a valuation service that is provided by an appraiser as a consequence of an agreement with a client.

ASSIGNMENT CONDITIONS: Assumptions, extraordinary assumptions, hypothetical conditions, laws and regulations, jurisdictional exceptions, and other conditions that affect the scope of work.

ASSIGNMENT ELEMENTS: Specific information needed to identify the appraisal or appraisal review problem: client and any other intended users; intended use of the appraiser's opinions and conclusions; type and definition of value; effective date of the appraiser's opinions and conclusions; subject of the assignment and its relevant characteristics; and assignment conditions.

ASSIGNMENT RESULTS: An appraiser's opinions or conclusions, not limited to value, that were developed when performing an appraisal assignment, an appraisal review assignment, or a valuation service other than an appraisal or appraisal review.

Comment: Physical characteristics are not assignment results.

BIAS: a preference or inclination that precludes an appraiser's impartiality, independence, or objectivity in an assignment.

BUSINESS ENTERPRISE: an entity pursuing an economic activity.

BUSINESS EQUITY: the interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including but not limited to capital stock, partnership interests co-operatives, sole proprietorships, options, and warrants).

CLIENT: the party or parties (i.e., individual, group, or entity) who engage, an appraiser by employment or contract in a specific assignment whether directly or through an agent.

CONFIDENTIAL INFORMATION: information that is either: (a) identified by the client as confidential when providing it to an appraiser and that is not available from any other source; or (b) classified as confidential or private by applicable law or regulation.*

*Notice: For example, pursuant to the passage of the Gramm-Leach-Bliley Act in November 1999, some public agencies have adopted privacy regulations that affect appraisers. The Federal Trade Commission issued two rules. The first rule (16 CFR 313) focused on the protection of “non-public personal information” provided by consumers to those involved in financial activities “found to be closely related to banking or usual in connection with the transaction of banking.” These activities include “appraising real or personal property.” The second rule (16 CFR 314) required appraisers to safeguard customer non-public personal information. Significant liability exists for appraisers should they fail to comply with these FTC rules.

COST: the actual or estimated amount required to create, reproduce, replace, or obtain a property.

CREDIBLE: worthy of belief.

Comment: Credible assignment results require support, by relevant evidence and logic, to the degree necessary for the intended use.

EFFECTIVE DATE: the date to which an appraiser’s analyses, opinions, and conclusions apply; also referred to as date of value.

EXPOSURE TIME: an opinion, based on supporting market data, of the length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal.

EXTRAORDINARY ASSUMPTION: an assignment-specific assumption as of the effective date that is used in an analysis despite indications that the assumption could be false, and which, if found to be false, could alter the appraiser’s opinions or conclusions.

Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

FEASIBILITY ANALYSIS: a study of the cost-benefit relationship of an economic endeavor.

HYPOTHETICAL CONDITION: a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the appraisal results, but is used for the purpose of analysis.

Comment: Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends, or about the integrity of data used in an analysis.

INTANGIBLE PROPERTY (INTANGIBLE ASSETS): non-physical assets, including but not limited to franchises, trademarks, patents, copyrights, goodwill, equities, mineral rights, securities, and contracts, as distinguished from physical assets such as facilities and equipment.

INTENDED USE: the anticipated use(s) of assignment results as identified by the appraiser based on communication with the client.

INTENDED USER: the client and any other party as identified, by name or type, as users of the appraisal or appraisal review report by the appraiser based on communication with the client.

Per Advisory Opinion 32: In ad valorem taxation assignments, the client is typically the government or taxing authority that engages the appraiser. As defined in USPAP, the client is an intended user. Through communication with the client, the appraiser may identify other intended users. A party [such as a taxpayer] receiving a copy of a report in order to satisfy disclosure requirements does not become an Intended user of the appraisal or mass appraisal unless the appraiser specifically identifies such party as an intended user.

JURISDICTIONAL EXCEPTION: an assignment condition established by applicable law or regulation, which precludes an appraiser from complying with a part of USPAP.

MARKET VALUE: a type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the value definition that is identified by the appraiser as applicable in an appraisal.

Comment: Appraisers are cautioned to identify the exact definition of market value, and its authority, applicable in each appraisal completed for the purpose of market value.

MASS APPRAISAL: the process of valuing a universe of properties as of a given date utilizing standard methodology, employing common data, and allowing for statistical testing.

MASS APPRAISAL MODEL: a mathematical expression, tool, or formula that describes how supply and demand factors interact in a market.

MISLEADING: Intentionally or unintentionally misrepresenting, misstating, or concealing relevant facts or conclusions.

PERSONAL INSPECTION: a physical observation performed to assist in identifying relevant property characteristics in a valuation service.

Comment: An appraiser's inspection is typically limited to those things readily observable without the use of special testing or equipment. Appraisals of some types of property, such as gems and jewelry, may require the use of specialized equipment. An inspection by an appraiser is not the equivalent of an inspection by an inspection professional (e.g., a structural engineer, home inspector, or art conservator).

PERSONAL PROPERTY: Any tangible or intangible article that is subject to ownership and not classified as real property, including identifiable tangible objects that are considered by the general public as being "personal," such as furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; and intangible

property that is created and stored electronically such as plans for installation art, choreography, emails, or designs for digital tokens.

PHYSICAL CHARACTERISTICS: attributes of a property that are observable or measurable as a matter of fact, as distinguished from opinions and conclusions, which are the result of some level of analysis or judgment.

PRICE: the amount asked, offered, or paid for a property.

Comment: Once stated, price is a fact, whether it is publicly disclosed or retained in private. Because of the financial capabilities, motivations, or special interests of a given buyer or seller, the price paid for a property may or may not have any relation to the value that might be ascribed to that property by others.

REAL ESTATE: an identified parcel or tract of land, including improvements, if any.

REAL PROPERTY: the interests, benefits, and rights inherent in the ownership of real estate.

RELEVANT CHARACTERISTICS: features that may affect a property's value or marketability such as legal, economic, or physical characteristics.

REPORT: any communication, written or oral, of an appraisal or appraisal review that is transmitted to the client or a party authorized by the client upon completion of an assignment.

SCOPE OF WORK: the type and extent of research and analysis in an appraisal or appraisal review assignment.

SIGNATURE: personalized evidence indicating authentication of the work performed by the appraiser and the acceptance of the responsibility for content, analyses, and the conclusions in the report.

VALUATION SERVICE: a service pertaining to an aspect of property value, regardless of the type of service and whether it is performed by appraisers or by others.

VALUE: the monetary relationship between properties and those who buy, sell, or use those properties.

Comment: Value expresses an economic concept. As such, it is never a fact but always an opinion of the worth of a property at a given time in accordance with a specific definition of value. In appraisal practice, value must always be qualified - for example, market value, liquidation value, or investment value.

WORKFILE: documentation necessary to support an appraiser's analysis, opinions, and conclusions.

PREAMBLE

The purpose of USPAP is to establish requirements and conditions for ethical, thorough, and transparent property valuation services. Valuation services pertain to all aspects of property value and include services performed by appraisers and other professionals including attorneys, accountants, insurance estimators, auctioneers, or brokers. Valuation services include appraisal, appraisal review, and appraisal consulting. The primary intent of these Standards is to promote and maintain a high level of public trust in professional appraisal practice.

It is essential that professional appraisers develop and communicate their analyses, opinions, and conclusions to intended users of their services in a manner that is meaningful and not misleading. The importance of the role of the appraiser places ethical obligations upon those who serve in this capacity. These USPAP Standards reflect the current standards of the appraisal profession.

These Standards are for both appraisers and users of appraisal services. To maintain a high level of professional practice, appraisers observe these Standards. However, these Standards do not in themselves establish which individuals or assignments must comply. The Appraisal Foundation nor its Appraisal Standards Board is not a government entity with the power to make, judge, or enforce law. Compliance with USPAP is only required when either the service or the appraiser is obligated to comply by law or regulation, or by agreement with the client or intended users. When not obligated, individuals may still choose to comply.

USPAP addresses the ethical and performance obligations of appraisers through Definitions, Rules, Standards, Statements (if any), and Advisory Opinions. USPAP Standards deal with the procedures to be followed in performing an appraisal or appraisal review and the manner in which each is communicated. A brief description of the USPAP Standards are as follows:

- **Standards 1 and 2:** establish requirements for the development and communication of a real property appraisal.
- **Standards 3 and 4:** establishes requirements for the development and communication of an appraisal review.
- **Standards 5 and 6:** establishes requirements for the development and communication of a mass appraisal.
- **Standards 7 and 8:** establish requirements for the development and communication of a personal property appraisal.
- **Standards 9 and 10:** establish requirements for the development and communication of a business or intangible asset appraisal.

Section 23.01(b) [*Appraisals Generally*] of the Texas Property Tax Code states:

“The market value of property shall be determined by the application of generally accepted appraisal methods and techniques. If the Appraisal District determines the appraised value of a property using mass appraisal standards, the mass appraisal standards must comply with the Uniform Standards of Professional Appraisal Practice...” (underline added for emphasis)

Consequently, USPAP Standards 5 and 6 are assumed to be the applicable standard for ad valorem tax purposes in Texas, if mass appraisal practices are in fact being used to appraise the subject property. USPAP Advisory Opinion 32 suggests several USPAP standards other than Standards 5 or 6 can apply in ad valorem tax work. It appears that an appraiser engaged in ad valorem tax work in Texas is not specifically required by law to follow these USPAP standards if in fact mass appraisal practices have not been used to appraise the subject property. In this case it could be deemed appropriate to invoke the Jurisdictional Exception Rule which is applicable when there is a contradiction between the requirements of USPAP and the law or regulation of a jurisdiction. Please

see the P&A Policy Statement on USPAP as provided elsewhere in this report for a more detailed discussion regarding this matter.

ETHICS RULE

Because of the fiduciary responsibilities inherent in professional appraisal practice, the appraiser must observe the highest standards of professional ethics. This Ethics Rule is divided into three sections:

- Conduct;
- Management;
- Confidentiality.

This Rule emphasizes the personal obligations and responsibilities of the individual appraiser. However, it should be noted that groups and organizations *which are comprised of individual appraisers engaged in appraisal practice* effectively share the same ethical obligations. To the extent the group or organization does not follow USPAP Standards when legally required, individual appraisers should take steps that are appropriate under the circumstances to ensure compliance with USPAP.

Compliance with these Standards is required when either the service or the appraiser is obligated by law or regulation, or by agreement with the client or intended users, to comply. *Compliance is also required when an individual, by choice, represents that he or she is performing the service as an appraiser.*

An appraiser must not misrepresent his or her role when providing valuation services that are outside of appraisal practice.

Honesty, impartiality, and professional competency are required of all appraisers under USPAP Standards. To document recognition and acceptance of his or her USPAP-related responsibilities in communicating an appraisal or appraisal review completed under USPAP, an appraiser is required to certify compliance with these Standards.

CONDUCT

An appraiser must perform assignments with impartiality, objectivity, and independence, and without accommodation of personal interests.

An appraiser:

- must not perform an assignment with bias;
- must not advocate the cause or interest of any party or issue;
- *must not accept an assignment that includes the reporting of predetermined opinions and conclusions;*
- must not misrepresent his or her role when providing valuation services that are outside of appraisal practice;
- must not communicate assignment results with the intent to mislead or to defraud;
- must not use or communicate a report or assignment results known by the appraiser to be misleading or fraudulent;
- must not knowingly permit an employee or other person to communicate a report or assignment results that are misleading or fraudulent report;
- must not use or rely on unsupported conclusions relating to characteristics such as race, color, religion, national origin, gender, marital status, familial status, age, receipt of public assistance income, handicap, or an unsupported conclusion that homogeneity of such characteristics is necessary to maximize value;
- must not engage in criminal conduct;
- must not willfully or knowingly violate the requirements of the RECORD KEEPING RULE; and must not perform an assignment in a grossly negligent manner.

If known prior to accepting an assignment, and/or if discovered at any time during the assignment, an appraiser must disclose to the client, and in each subsequent report certification:

- any current or prospective interest in the subject property or parties involved; and
- any services regarding the subject property performed by the appraiser within the three year period immediately preceding acceptance of the assignment, as an appraiser or in any other capacity.

The appraiser can agree with the client to keep the mere occurrence of a prior appraisal assignment confidential. If an appraiser has agreed with the client not to disclose that he or she has appraised a property, the appraiser must decline all subsequent assignment that fall within the three year period. In assignments in which there is no report, only the initial disclosure to the client is required.

Presumably all parties in an ad valorem tax appraisal will be aware of the ongoing yearly nature of the appraisal assignments performed by valuation consulting firms like Pritchard & Abbott, Inc.—i.e., it will not be confidential—so that this particular conduct instruction is more or less a moot point (regarding the three year period discussed) if the prior service is in fact the ad valorem tax appraisals performed in previous tax years.

MANAGEMENT

The payment of a fee, commission, or a thing of value by the appraiser in connection with the procurement of an assignment must be disclosed. This disclosure must appear in the certification and in any transmittal letter in which conclusions of value are stated; however, the disclosure of the amount paid is not required. Intra-company payments to employees of groups or organizations involved in appraisal practice for business development do not require disclosure.

It is unethical for an appraiser to accept compensation for performing an assignment when it is contingent upon the reporting of a *predetermined result, a direction in assignment results that favors the cause of the client, the amount of a value opinion, the attainment of a stipulated result*, or the occurrence of a subsequent event directly related to the appraiser's opinions and specific to the assignment's purpose.

Advertising for or *soliciting assignments in a manner that is false, misleading, or exaggerated* is unethical. Decisions regarding finder or referral fees, contingent compensation, and advertising may not be the responsibility of an individual appraiser, but for a particular assignment it is the responsibility of the individual appraiser to ascertain that there has been no breach of ethics, that the assignment consulting assignment has been prepared in accordance with USPAP Standards, and that the report can be properly certified when required by USPAP Standards 2-3, 4-3, 6-3, 8-3, or 10-3.

An appraiser must affix, or authorize the use of, his or her signature to certify recognition and acceptance of his or her USPAP responsibilities in an appraisal or appraisal review assignment. An appraiser may authorize the use of his or her signature only on an assignment-by-assignment basis.

In addition, an appraiser must not affix the signature of another appraiser without his or her consent. An appraiser must exercise due care to prevent unauthorized use of his or her signature. However, an appraiser exercising such care is not responsible for unauthorized use of his or her signature.

CONFIDENTIALITY

An appraiser must protect the confidential nature of the appraiser-property owner relationship.

An appraiser must act in good faith with regard to the legitimate interests of the client in the use of confidential information and in the communication of assignment results.

An appraiser must be aware of, and comply with, all confidentiality and privacy laws and regulations applicable in an assignment.

An appraiser must not disclose confidential factual data obtained from a property owner to anyone other than:

1. The client;
2. Parties specifically authorized by the client;
3. State appraiser regulatory agencies;
4. Third parties as may be authorized by due process of law; or
5. A duly authorized professional peer review committee except when such disclosure to a committee would violate applicable law or regulation.

An appraiser must take reasonable steps to safeguard access to confidential information and assignment results by unauthorized individuals, whether such information or results are in physical or electronic form. In addition, an appraiser must ensure that employees, coworkers, subcontractors, or others who may have access to confidential information or assignments results, are aware of the prohibitions on disclosure of such information or results.

It is unethical for a member of a duly authorized professional peer review committee to disclose confidential information presented to the committee.

When all confidential elements of confidential information are removed through redaction or the process of aggregation, client authorization is not required for the disclosure of the remaining information, as modified.

RECORD KEEPING RULE

An appraiser must prepare a workfile for each appraisal or appraisal review assignment. A workfile must be in existence prior to the issuance of any report or other communication of assignment results. A written summary of an oral report must be added to the workfile within a reasonable time after the issuance of the oral report.

The workfile must include the name of the client and the identity, by name or type, of any other intended users, and true copies of all written reports, documented on any type of media. (A true copy is a replica of the report transmitted to the client. A photocopy or an electronic copy of the entire report transmitted to the client satisfies the requirement of a true copy.) A workfile must contain summaries of all oral reports or testimony, or a transcript of testimony, including the appraiser's signed and dated certification; and all other data, information, and documentation necessary to support the appraiser's opinions and conclusions and to show compliance with USPAP, or references to the location(s) of such other data, information, and documentation.

A workfile in support of a Restricted Appraisal Report or an oral appraisal report must be sufficient for the appraiser to produce an Appraisal Report. A workfile in support of an oral appraisal review report must be sufficient for the appraiser to produce an Appraisal Review Report.

An appraiser must retain the workfile for a period of at least *five years after preparation* or at least two years after final disposition of any judicial proceeding in which the appraiser provided testimony related to the assignment, whichever period expires last.

An appraiser must have custody of the workfile, or make appropriate workfile retention, access, and retrieval arrangements with the party having custody of the workfile. This includes ensuring that a workfile is stored in a medium that is retrievable by the appraiser throughout the prescribed record retention period. An appraiser having custody of a workfile must allow other appraisers with workfile obligations related to an assignment appropriate access and retrieval for the purpose of:

- submission to state appraiser regulatory agencies;
- compliance with due process of law;
- submission to a duly authorized professional peer review committee; or
- compliance with retrieval arrangements.

A workfile must be made available by the appraiser when required by a state appraiser regulatory agency or due process of law.

An appraiser who willfully or knowingly fails to comply with the obligations of this Record Keeping Rule is in violation of the Ethics Rule.

COMPETENCY RULE

An appraiser must: (1) be competent to perform the assignment; (2) acquire the necessary competency to perform the assignment; or (3) decline or withdraw from the assignment. In all cases, the appraiser must perform competently when completing the assignment.

BEING COMPETENT

The appraiser must determine, prior to agreeing to perform an assignment, that he or she can perform the assignment competently. Competency requires:

- the ability to properly identify the problem to be addressed;
- the knowledge and experience to complete the assignment competently; and
- the recognition and compliance with all laws and regulations that apply to the appraiser or the assignment.

Competency applies to factors such as, but not limited to, an appraiser's familiarity with a specific type of property, a market, a geographic area, or an analytical method. The background and experience of appraisers varies widely, and a lack of knowledge or experience can lead to inaccurate or inappropriate appraisal practice. *The Competency Rule requires an appraiser to have both the knowledge and the experience required to perform a specific appraisal service competently.* If an appraiser has been deemed to not have the required competency, the following steps must be taken in acquiring competency in order for that appraiser to perform the assignment under USPAP requirements.

For assignments with retrospective opinions and conclusions (which are allowed under certain prescribed circumstances in property tax work), the appraiser must meet the requirements of this Competency Rule at the time the assignment is performed, rather than the effective date of the appraisal.

ACQUIRING COMPETENCY

If an appraiser determines he or she is not competent prior to accepting an assignment, the appraiser must:

- disclose the lack of knowledge and/or experience to the client before accepting the assignment;
- take all steps necessary or appropriate to complete the assignment competently; and
- describe, in the report, the lack of knowledge and/or experience and the steps taken to complete the assignment competently.

Competency can be acquired in various ways, including, but not limited to, personal study by the appraiser, association with an appraiser reasonably believed to have the necessary knowledge and/or experience, or retention of others who possess the necessary knowledge and/or experience.

In an assignment where geographic competency is required (certainly useful if not outright necessary in property tax appraisal assignments), an appraiser who is not familiar with the relevant market characteristics must acquire an understanding necessary to produce credible assignment results for the specific property type and market involved. Pritchard & Abbott, Inc., takes great pride in assigning and retaining appraisers who gain and then employ local knowledge and geographic competency in their appraisal assignments.

When an appraiser determines in the course of the assignment that he or she lacks the required knowledge and/or experience to complete the assignment competently, the appraiser must:

- notify the client;
- take all steps necessary or appropriate under the circumstances to complete the assignment competently; and
- describe, in the report, the lack of knowledge and/or experience and the steps taken to complete the assignment competently.

LACK OF COMPETENCY

If the appraiser cannot complete the assignment competently, the appraiser must decline or withdraw from the assignment.

SCOPE OF WORK RULE

For each appraisal or appraisal review assignment, an appraiser must:

1. Identify the problem to be solved;
2. Determine and perform the scope of work necessary to develop credible assignment results; and
3. Disclose the scope of work in the report.

An appraiser must properly identify the problem to be solved in order to determine the appropriate scope of work. The appraiser must be prepared to demonstrate that the scope of work is sufficient to produce credible assignment results.

Scope of work includes, but is not limited to:

- the extent to which the property is identified;
- the extent to which tangible property is inspected;
- the type and extent of data researched; and
- the type and extent of analyses applied to arrive at opinions or conclusions.

Appraisers have broad flexibility and significant responsibility in determining the appropriate scope of work for an appraisal or appraisal review assignment. Credible assignment results require support by relevant evidence and logic. *The credibility of assignment results is always measured in the context of the intended use.*

PROBLEM IDENTIFICATION

An appraiser must gather and analyze information about those assignment elements that are necessary to properly identify the appraisal, appraisal review or appraisal consulting problem to be solved. The assignment elements necessary for problem identification are addressed in the Standard 6-2:

- client and any other intended users;
- intended use of the appraiser's opinions and conclusions;
- type and definition of value;
- effective date of the appraiser's opinions and conclusions;
- subject of the assignment and its relevant characteristics; and
- assignment conditions.

This information provides the appraiser with the basis for determining the type and extent of research and analyses to include in the development of an appraisal. Similar information is necessary for problem identification in appraisal review and appraisal consulting assignments. Assignment conditions include:

- assumptions;
- extraordinary assumptions;
- hypothetical conditions;
- laws and regulations;
- jurisdictional exceptions; and
- other conditions that affect the scope of work.

SCOPE OF WORK ACCEPTABILITY

The scope of work must include the research and analyses that are necessary to develop credible assignment results. The scope of work is acceptable when it meets or exceeds:

- the expectations of parties who are regularly intended users for similar assignments; and
- what an appraiser's peers' actions would be in performing the same or a similar assignment.

Determining the scope of work is an ongoing process in an assignment. Information or conditions discovered during the course of an assignment might cause the appraiser to reconsider the scope of work. An appraiser must be prepared to support the decision to exclude any investigation, information, method, or technique that would appear relevant to the client, another intended user, or the appraiser's peers.

An appraiser must not allow assignment conditions to limit the scope of work to such a degree that the assignment results are not credible in the context of the intended use. In addition, the appraiser must not allow the intended use of an assignment or a client's objectives to cause the assignment results to be biased.

DISCLOSURE OBLIGATIONS

The report must contain sufficient information to allow intended the client and other intended users to understand the scope of work performed. Proper disclosure is required because clients and other intended users may rely on the assignment results. Sufficient information includes disclosure of research and analyses performed or not performed. *The information disclosed must be appropriate for the intended use of the assignment results.*

Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed. *The appraiser has broad flexibility and significant responsibility in the level of detail and manner of disclosing the scope of work in the appraisal report or appraisal review report.* The appraiser may, but is not required to, consolidate the disclosure in a specific section or sections of the report, or use a particular label, heading or subheading. An appraiser may choose to disclose the scope of work as necessary throughout the report.

JURISDICTIONAL EXCEPTION RULE

If any applicable law or regulation precludes compliance with any part of USPAP, only that part of USPAP becomes void for that assignment. When compliance with USPAP is required by federal law or regulation, no part of USPAP can be voided by a law or regulation of a state or local jurisdiction. *When an appraiser properly follows this Rule in disregarding a part of USPAP, there is no violation of USPAP.*

In an assignment involving a jurisdictional exception, an appraiser must:

- identify the law or regulation that precludes compliance with USPAP;
- comply with that law or regulation;
- clearly and conspicuously disclose in the report the part of USPAP that is voided by that law or regulation; and
- cite in the report the law or regulation requiring this exception to USPAP compliance.

The purpose of the Jurisdictional Exception Rule is strictly limited to providing a saving or severability clause intended to preserve the balance of USPAP if one or more of its parts are determined as contrary to law or public policy of a jurisdiction. By logical extension, there can be no violation of USPAP by an appraiser who disregards, with proper disclosure, only the part or parts of USPAP that are void and of no force and effect in a particular assignment by operation of legal authority.

It is misleading for an appraiser to disregard a part or parts of USPAP as void and of no force and effect in a particular assignment without identifying the part or parts disregarded and the legal authority justifying this action in the appraiser's report.

"Law" includes constitutions, legislative and court-made law, and administrative rules (such as from the Office of the Texas Comptroller of Public Accounts) and ordinances. "Regulations" include rules or orders having legal force, issued by an administrative agency. *Instructions from a client or attorney do not establish a jurisdictional exception.*

A jurisdictional exception prevalent in Texas is that appraisers are seeking to establish "fair market value" as defined by the Texas Property Tax Code instead of "market value" as found in the USPAP definitions section.

USPAP STANDARDS 5 AND 6: MASS APPRAISAL, DEVELOPMENT AND REPORTING (General Discussion)

In developing a mass appraisal, an appraiser must be aware of, understand, and correctly employ those recognized methods and techniques necessary to produce and communicate credible mass appraisals.

Standards 5 and 6 apply to all mass appraisals of real and personal property regardless of the purpose or use of such appraisals. It is directed toward the substantive aspects of developing and communicating competent analyses, opinions, and conclusions in the mass appraisal of properties, whether real property or personal property. Standard 5 is directed toward the substantive aspects of developing credible analyses, opinions, and conclusions in the mass appraisal of properties, while Standard 6 addresses the content and level of information required in a report that communicates the results of a mass appraisal. The reporting and jurisdictional exceptions applicable to public mass appraisals prepared for purposes of ad valorem taxation do not apply to mass appraisals prepared for other purposes.

A mass appraisal includes:

- identifying properties to be appraised;
- defining market areas of consistent behavior that applies to properties;
- identifying characteristics (supply and demand) that affect the creation of value in that market area;
- developing (specifying) a model structure that reflects the relationship among the characteristics affecting value in the market area;
- calibrating the model structure to determine the contribution of the individual characteristics affecting value;
- applying the conclusions reflected in the model to the characteristics of the properties being appraised; and
- reviewing the mass appraisal results.

The Jurisdictional Exception Rule may apply to several sections of Standards 5 and 6 because ad valorem tax administration is subject to various state, county, and municipal laws.

As previously stated in the P&A Policy Statement (page 2), it may not be possible or practicable for all the mass appraisal attributes listed above to be rigorously applied to the many types of complex and/or unique properties that P&A typically appraises. Often there are contractual limitations on the scope of work needed or required. More prevalently, these types of properties do not normally provide a reliable database of market transactions (or details of transactions) necessary for statistically supportable calibration of appraisal models and review of appraisal results. Generally these two functions are effectively accomplished through annual extended review meetings with taxpayers (and clients) who provide data, sometimes confidentially, that allows for appraisal models to be adjusted where necessary. Nevertheless, and notwithstanding whether P&A implicitly or explicitly employs or reports all attributes listed above, in all cases P&A at the minimum employs tenants of “generally accepted appraisal methods” which are the genesis of USPAP Standards.

Per USPAP guidelines, P&A will make known all departures and jurisdictional exceptions when invoked (if an appraisal method or specific requirement is applicable but not necessary to attain credible results in a particular assignment).

The various sections of Standard 5 (development of mass appraisal) and Standard 6 (communication of the mass appraisal results) are briefly summarized below:

- **Standard 5-1:** Establishes the appraiser's technical and ethical framework. Specifically, appraisers must recognize and use established principles, methods and techniques of appraisal in a careful manner while not committing substantial errors of fact or negligence that would materially affect the appraisal results and not give a credible estimate of fair market value. To this end appraisers must continuously improve his or her skills to maintain proficiency and keep abreast of any new developments in the real and personal property appraisal profession. This Standards does not imply that competence requires perfection, as perfection is impossible to attain. Instead, it requires appraisers to employ every reasonable effort with regards to due diligence and due care.
- **Standard 5-2:** Defines the introductory framework requirements of developing a mass appraisal, focusing on the identification and/or definition of: client(s), intended users, effective date, appraisal perspective, scope of work, extraordinary assumptions, hypothetical conditions, the type and definition of value being developed (typically "fair market value" for ad valorem tax purposes), characteristics of the property being appraised in relation to the type and definition of value and intended use, the characteristics of the property's market, the property's real or personal attributes, fractional interest applicability, highest and best use analysis along with other land-related considerations, and any other economic considerations relevant to the property.
- **Standard 5-3:** Defines requirements for developing and specifying appropriate mass appraisal data and elements applicable for real and personal property. For real property, the data and elements include: existing land use regulations, reasonably probable modification of such regulations, economic supply and demand, the physical adaptability of the real estate, neighborhood trends, and highest and best use analysis. For personal property, the relevant data and elements include: identification of industry trends, trade level, highest and best use, and recognition of the appropriate market consistent with the type and definition of value.
- **Standard 5-4:** Further defines requirements for developing mass appraisal models, focusing on development of standardized data collection forms, procedures, and training materials that are used uniformly on the universe of properties under consideration. This rule specifies that appraisers employ recognized techniques for specifying and calibrating mass appraisal models. Model specification is the formal development of a model in a statement or mathematical equation, including all due considerations for physical, functional, and external market factors as they may affect the appraisal. These models must accurately represent the relationship between property value and supply and demand factors, as represented by quantitative and qualitative property characteristics. Models must be calibrated using recognized techniques, including, but not limited to, multiple linear regression, nonlinear regression, and adaptive estimation. Models may be specified incorporating the income, market, and/or cost approaches to value and may be tabular, mathematical, linear, nonlinear, or any other structure suitable for representing the observable property characteristics such as adaptive estimation. Model calibration refers to the process of analyzing sets of property and market data to determine the specific parameters of a model.
- **Standard 5-5:** Defines requirements for collection of sufficient factual data, in both qualitative and quantitative terms, necessary to produce credible appraisal results. The property characteristics collected must be contemporaneous with the effective date of the appraisal. The data collection program should incorporate a quality control procedure, including checks and audits of the data to ensure current and consistent records. This rule also calls for calls for an appraiser, in developing income and expense statements and cashflow projections, to weigh historical information and trends, current market factors affecting such trends, and reasonably anticipated events, such as competition from developments either planned or under construction. Terms and conditions of any leases should be analyzed, as well as the need for and extent of any physical inspection of the properties being appraised.

- **Standard 5-6:** Defines requirements for application of a calibrated model to the property being appraised. This rule calls for: the appraiser to recognize methods or techniques based on the cost, market, and income approaches for improved parcels; the appraiser to value sites by recognized methods or techniques such as allocation method, abstraction method, capitalization of ground rent, and land residual; the appraiser to develop value of leased fee or leasehold estates with consideration for terms and conditions of existing leases, and, when applicable by law, as if held in fee simple whereas market rents are substituted for actual contract rents; the appraiser to analyze the effect on value, if any, of the assemblage of the various parcels, divided interests, or component parts of a property; the appraiser to analyze anticipated public or private improvements located on or off the site, and analyze the effect on value, if any, of such anticipated improvements to the extent they are reflected in market actions.
- **Standard 5-7:** Defines the reconciliation process of a mass appraisal. Specifically, appraisers must analyze the results and/or applicability of the various approaches used while ensuring that, on an overall basis, standards of reasonableness and accuracy are maintained with the appraisal model selected (underline added for emphasis). It is implicit in mass appraisal that, even when properly specified and calibrated models are used, some individual value conclusions will not meet standards of reasonableness, consistency, and accuracy. Appraisers have a professional responsibility to ensure that, on an overall basis, models produce value conclusions that meet attainable standards of accuracy.
- **Standard 6-1:** Defines general requirements of a mass appraisal written report by addressing the level of information required that will allow the report to be non-misleading, clearly understood, and sufficiently qualified with any assumptions and conditions (elements of which are further detailed in the next three sections of this report that discuss P&A appraisal procedures with regards to specific categories of property).
- **Standard 6-2:** Defines specific content required to be included in a mass appraisal written report.
- **Standard 6-3:** Defines the certification of the mass appraisal written report.

The following sections of this report discuss in more detail the various elements of the development of P&A's mass appraisals and associated written reports as required by USPAP Standards 5 and 6, with regards to P&A appraisal of Mineral Interests, Industrial, Utility, Related Personal Property, and Real Estate.

USPAP STANDARDS 5, 6-1, 6-2: MASS APPRAISAL OF MINERAL INTERESTS

Note: This section, in conjunction with any attached or separately provided P&A-generated appraisal reports specific to the subject property or properties, constitutes the "mass appraisal written report" as required by USPAP Standards 6-1 and 6-2. For mass appraisal, a written report is not provided for each individual property. An individual property record or worksheet may describe the valuation of a specific property after the application of the mass appraisal model. USPAP Standards 6-3 (certification) can be found at the end of this report. USPAP Standards 5-1 through 5-7 (instructions and explanations regarding the development, application, and reconciliation of mass appraisal values), as they apply to P&A mass appraisal procedures, are discussed below. USPAP DOES NOT DICTATE THE FORM, FORMAT, OR STYLE OF APPRAISAL REPORTS, WHICH ARE FUNCTIONS OF THE NEEDS OF USERS AND PROVIDERS OF APPRAISAL SERVICES. USPAP ALSO DOES NOT MANDATE THAT EACH APPRAISAL REPORT BE LENGTHY AND FULL OF DISCLAIMERS. Readers should note that all P&A reports, unless stated otherwise, are of a "restricted" nature whereas additional documentation and detail may be available per certain Texas Property Tax Code provisions.

INTRODUCTION

Definition of Appraisal Responsibility (Scope of Effort): The Mineral Valuation Department of Pritchard & Abbott, Inc. ("P&A" hereinafter), is responsible for developing credible values for mineral interests (full or fractional percentage ownership of oil and gas leasehold interest, the amount and type of which are legally and/or contractually created and specified through deeds and leases, et.al.) associated with producing (or capable of producing) leases. Mineral interests are typically considered real property because of their derivation from the bundle of rights associated with original fee simple ownership of land. Typically all the mineral interests that apply to a single producing lease are consolidated by type (working vs. royalty) with each type then appraised for full value which is then distributed to the various fractional decimal interest owners prorata to their individual type and percentage amount.

P&A's typical client is a governmental entity charged with appraisal responsibility for ad valorem tax purposes, although other types of clients (private businesses, individuals, etc.) occasionally contract for appraisal services which are strictly for various non-ad valorem tax purposes so that no conflicts of interest are created with P&A's core ad valorem tax work.

P&A hereby makes the **assumption** that, in all appraisal assignments performed for governmental entities in satisfaction of contractual obligations related to ad valorem tax, the client does not wish to or cannot legally request the appraisal report not identify the client.

Intended users of our reports are typically the client(s) for which we are under direct contract. Although taxpayers or their agents who own and/or represent the subject property being appraised often receive these reports either by law or as a courtesy of the client or P&A, this receipt does not mean these parties automatically become Intended Users as defined by USPAP. **A party receiving a copy of a report in order to satisfy disclosure requirements does not become an intended user of the appraisal or mass appraisal unless the appraiser specifically identifies such party as an intended user.** Potential other users include parties involved in adjudication of valuation disputes (review board members, lawyers, judges, etc.), governmental agencies which periodically review our appraisals for various statutory purposes (such as the Texas Comptroller's Office) and private parties who may obtain copies of our appraisals through Open Records Requests made to governmental agencies.

This section of P&A's USPAP report is not applicable to any mineral or mineral interest property that an appraisal district appraises outside of P&A's appraisal services, in which case the appraisal district's overall USPAP report should be referenced.

P&A makes the **Extraordinary Assumption** that all properties appraised for ad valorem tax purposes are marketable whereas ownership and title to property are free of encumbrances and other restrictions that would affect fair market value to an extent not obvious to the general marketplace. If and/or when we are made aware of any encumbrances, etc., these would be taken into account in our appraisal in which case the extraordinary assumption stated above would be revoked.

P&A is typically under contract to determine current market value or "fair market value" of said mineral interests. Fair market value is typically described as the price at which a property would sell for if:

- exposed in the open market with a reasonable time for the seller to find a purchaser;
- both the buyer and seller know of all the uses and purposes to which the property is, or can be, adapted and of the enforceable restrictions on its use; and
- both the buyer and seller seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other. [Exigencies are pressing or urgent conditions that leave one party at a disadvantage to the other.]

For ad valorem tax purposes the effective date is usually legislatively specified by the particular State in which we are working - for example, in Texas the lien date is January 1 per the Texas Property Tax Code. For ad valorem tax purposes, the date of the appraisals and reports are typically several months past the effective date, thereby leaving open the possibility that a retrospective approach is appropriate under limited and prescribed circumstances (information after the effective date being applicable only if it confirms a trend or other appraisal condition that existed and was generally known as of the effective date).

P&A believes this section of this report, in conjunction with any attached or separately provided P&A-generated report(s), meets the USPAP definition of "typical practice"; i.e., it satisfies a level of work that is consistent with:

- the expectations of participants in the market for the same or similar appraisal services; and
- what P&A's peers' actions would be in performing the same or similar appraisal services in compliance with USPAP.

Legal and Statutory Requirements: In Texas, the provisions of the Texas Property Tax Code and other relevant legislative measures involving appraisal administration and procedures control the work of P&A as an extension of the Appraisal District. Other states in which P&A is employed will have similar controlling legislation, regulatory agencies, and governmental entities. P&A is responsible for appraising property on the basis of its fair market value as of the stated effective date (January 1 in Texas) for ad valorem tax purposes for each taxing unit that imposes ad valorem taxes on property in the contracted Appraisal District. All mineral properties (interests) are reappraised annually. The definition of Fair Market Value is provided and promulgated for use in ad valorem tax work in Texas by the Texas Property Tax Code, and therefore as a **Jurisdictional Exception** supercedes the definition of "market value" as found in USPAP definitions.

NOTE: IN TEXAS, P&A BELIEVES THE PROPERTY BEING APPRAISED AND PLACED ON THE TAX ROLL IS THE INTEREST AND NOT THE OIL OR GAS MINERAL ITSELF, PER PROPERTY TAX CODE SECTION 1.04(2)(F). WHILE OIL AND GAS RESERVES CERTAINLY HAVE VALUE, THE FACT IS THAT IT IS THE INTERESTS IN THESE MINERALS THAT ARE BOUGHT AND SOLD, NOT THE MINERALS THEMSELVES. THE SALE OF MINERALS AS THEY ARE EXTRACTED FROM THE SUBSURFACE OF THE LAND WHERE THEY RESIDE AS MINERALS IN PLACE "MONETIZES" THE INTEREST AND THUS GIVES THE INTEREST ITS VALUE. WHENEVER P&A REFERS TO

“MINERAL PROPERTIES” IN THIS REPORT OR IN ANY OTHER SETTING, IT IS THE MINERAL INTEREST, AND NOT THE MINERAL ITSELF, THAT IS THE SUBJECT OF THE REFERENCE.

Administrative Requirements: P&A follows generally accepted and/or recognized appraisal practices and when applicable, the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures. P&A, when applicable, also subscribes to the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP). In all cases where IAAO and/or USPAP requirements cannot be satisfied for reasons of practicality or irrelevancy, P&A subscribes to “generally accepted appraisal methods and techniques” so that its value conclusions are credible and defensible. P&A submits annual or biannual contract bids to the Office of the Chief Appraiser and is bound to produce appraisal estimates on industrial, utility and personal properties within the cost constraints of said bid. Any appraisal practices and procedures followed by P&A not explicitly defined through IAAO or USPAP requirements are specified by the Texas Property Tax Code and/or at the specific request or direction of the Office of the Chief Appraiser.

Appraisal Resources

Personnel: The Mineral Valuation Division staff consists of competent Petroleum Engineers, Geologists, and Appraisers. All personnel are Registered Professional Appraisers with the State of Texas, or are progressing towards this designation within the allowable time frames prescribed by the Texas Department of Licensing and Regulation (TDLR) and/or other licensing and regulatory agencies as applicable.

Data: For each mineral property a common set of data characteristics (i.e. historical production, price and expense data) is collected from various sources and entered into P&A's mainframe computer system. Historical production data and price data is available through state agencies (Texas Railroad Commission, Texas Comptroller, et al.) or private firms who gather, format and repackage such data for sale commercially. Each property's characteristic data drives the computer-assisted mass appraisal approach to valuation.

Information Systems: The mainframe systems are augmented by the databases that serve the various in-house and 3rd-party applications on desktop personal computers. In addition, communication and dissemination of appraisals and other information is available to the taxpayer and client through electronic means including internet and other phone-line connectivity. The appraiser supervising any given contract fields many of the public's questions or redirects them to the proper department personnel.

VALUATION APPROACH (MODEL SPECIFICATION)

Concepts of Value: The valuation of oil and gas properties is not an exact science, and exact accuracy is not attainable due to many factors. Nevertheless, standards of reasonable performance do exist, and there are usually reliable means of measuring and applying these standards.

Petroleum properties are subject to depletion, and capital investment must be returned before economic exhaustion of the resource (mineral reserves). The examination of petroleum properties involves understanding the geology of the resource (producing and non-producing), type of reservoir energy, the methods of secondary and enhanced recovery (if applicable), and the surface treatment and marketability of the produced petroleum product(s).

Evaluation of mineral properties is a continuous process; the value as of the lien date merely represents a “snapshot” in time. The potential value of mineral interests derived from sale of minerals to be extracted from the ground change with mineral price fluctuation in the open market, changes in extraction technology, costs of extraction, and other variables such as the value of money.

Approaches to Value for Petroleum Property

Cost Approach: The use of cost data in an appraisal for market value is based upon the economic principle of substitution. The cost approach typically derives value by a model that begins with replacement cost new (RCN) and then applies depreciation in all its forms (physical depreciation, functional and economic obsolescence). This method is difficult to apply to oil and gas properties since lease acquisition and development may bear no relation to present worth. Though very useful in the appraisal of many other types of properties, the cost approach is not readily applicable to mineral properties. [Keep in mind that the property actually being appraised is the mineral interest and not the oil and gas reserves themselves. Trying to apply the cost approach to evaluation of mineral interests is like trying to apply the cost approach to land; it is a moot point because both are real properties that are inherently non-replaceable.] **As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., does not employ the cost approach in the appraisal of mineral interests.**

Market Approach: This approach may be defined as one which uses data available from actual transactions recorded in the market place itself; i.e., sales of comparable properties from which a comparison to the subject property can be made. Ideally, this approach's main advantage involves not only an opinion but an opinion supported by the actual spending of money. Although at first glance this approach seems to more closely incorporate the aspects of fair market value per its classical definition, there are two factors that severely limit the usefulness of the market approach for appraising oil and gas properties. First, oil and gas property sales data is seldom disclosed (in non-disclosure states such as Texas); consequently there is usually a severe lack of market data sufficient for meaningful statistical analysis. Second, all conditions of each sale must be known and carefully investigated to be sure one does have a comparative indicator of value per fair market value perquisites.

Many times when these properties do change hands, it is generally through company mergers and acquisitions where other assets in addition to oil and gas reserves are involved; this further complicates the analysis whereby a total purchase price must be allocated to the individual components - a speculative and somewhat arbitrary task at best. In the case of oil and gas properties, a scarcity of sales requires that every evidence of market data be investigated and analyzed. Factors relative to the sale of oil and gas properties are:

- current production and estimated declines forecast by the buyer;
- estimated probable and potential reserves;
- general lease and legal information which defines privileges or limitation of the equity sold;
- undeveloped potential such as secondary recovery prospects;
- proximity to other production already operated by the purchaser;
- contingencies and other cash equivalents; and
- other factors such as size of property, gravity of oil, etc.

In the event that all these factors are available for analysis, the consensus effort would be tantamount to performing an income approach to value (or trying to duplicate the buyer's income approach to value), thereby making the market approach somewhat moot in its applicability. **As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., rarely employs a rigorous application of the market approach in the appraisal of mineral interests.**

Income Approach: This approach to value most readily yields itself to the appraisal of mineral interests. Data is readily available whereby a model can be created that reasonably estimates a future income stream to the property. This future income may then be converted (discounted) into an estimate of current value. Many refer to this as a capitalization method, because capitalization is the process of converting an income stream into a capital sum (value). As with any method, the final value is no better than the reliability of the input data. The underlying assumption is that people purchase the property for the future income the property will yield. If the land or improvements are of any residual value after the cessation of oil and gas production, that value should also be included (if those components are also being appraised).

The relevant income that should be used is the expected future net income. Assumptions of this method are:

- Past income and expenses are not a consideration, except insofar as they may be a guide to estimating future net income.
- That the producing life as well as the reserves (quantity of the minerals) are estimated for the property.
- Future income is less valuable than current income, and so future net income must be discounted to make it equivalent to the present income. This discount factor reflects the premium of present money over future money, i.e., interest rate, liquidity, investment management, and risk.

As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., relies predominantly on the income approach to value in the appraisal of mineral interests.

DATA COLLECTION/VALIDATION

Sources of Data: The main source of P&A's property data is data from the Railroad Commission of Texas as reported by operators. As a monthly activity, the data processing department receives data tapes or electronic files which have updated and new well and production data. Other discovery tools are fieldwork by appraisers, financial data from operators, information from chief appraisers, tax assessors, trade publications and city and local newspapers. Other members of the public often provide P&A information regarding new wells and other useful facts related to property valuation.

Another crucial set of data to obtain is the ownership of these mineral interests. Typically a mineral lease is fractionated and executed with several if not many owners. This information is typically requested (under a promise of confidentiality concerning owners' personal information) from pipeline purchasers and/or other entities (such as operators) who have the responsibility of disbursing the income to the mineral interest owners. Another source of ownership information is through the taxpayers themselves who file deeds of ownership transfer and/or correspond with P&A or the appraisal district directly.

Data Collection Procedures: Electronic and field data collection requires organization, planning and supervision of the appraisal staff. Data collection procedures for mineral properties are generally accomplished globally by the company; i.e., production and price data for the entire state is downloaded at one time into the computer system. Appraisers also individually gather and record specific and particular information to the appraisal file records, which serves as the basis for the valuation of mineral properties. P&A is divided into four district offices covering different geographic areas. Each office has a district manager, appraisal and ownership maintenance staff, and clerical staff as appropriate. While overall standards of performance are established and upheld for the various district offices, quality of data is emphasized as the goal and responsibility of each appraiser.

VALUATION ANALYSIS (MODEL CALIBRATION)

Appropriate revisions and/or enhancements of schedules or discounted cash flow software are annually made and then tested prior to the appraisals being performed. Calibration typically involves performing multiple discounted cash flow tests for leases with varying parameter input to check the correlation and relationship of such indicators as: Dollars of Value Per Barrel of Reserves; Dollars of Value Per Daily Average Barrel Produced; Dollars of Expense Per Daily Average Barrel Produced; Years Payout of Purchase Price (Fair Market Value). In a more classical calibration procedure, the validity of values by P&A's income approach to value is tested against actual market transactions, if and when these transactions and verifiable details of these transactions are disclosed to P&A. Of course these transactions must be analyzed for meeting all requisites of fair market value definition. Any conclusions of this analysis are then compared to industry benchmarks for reasonableness before being incorporated into the calibration procedure.

INDIVIDUAL VALUE REVIEW PROCEDURES

Individual property values are reviewed several times in the appraisal process. P&A's discounted cashflow software dynamically generates various benchmark indicators that the appraiser reviews concurrent with the value being generated. These benchmarks often prompt the appraiser to reevaluate some or all of the parameters of data entry so as to arrive at a value more indicative of industry standards. Examples of indicators are dollars of value per barrel of oil reserve, years payout, etc. In addition to appraiser review, taxpayers are afforded the opportunity to review the appraised values, either before or after Notices of Appraised Value are prepared. Operators routinely meet with P&A's appraisers to review parameters and to provide data not readily available to P&A through public or commercial sources, such as individual lease operating expense and reserve figures. And of course, all property values are subject to review through normal protest and Appraisal Review Board procedures, with P&A acting as an extension of the Office of the Chief Appraiser.

PERFORMANCE TESTS

An independent test of the appraisal performance of properties appraised by P&A is conducted by the State of Texas Comptroller's Office through the annual Property Value Study for school funding purposes. This study determines the degree of uniformity and the median level of appraisal for mineral properties. School jurisdictions are given an opportunity to appeal any preliminary findings. After the appeal process is resolved, the Comptroller publishes a report of the findings of the study, including in the report the median level of appraisal, the coefficient of dispersion around the median level of appraisal and any other standard statistical measures that the Comptroller considers appropriate.

USPAP STANDARDS 5, 6-1, 6-2: MASS APPRAISAL OF INDUSTRIAL, UTILITY AND RELATED PERSONAL PROPERTY

Note: This section, in conjunction with any attached or separately provided P&A-generated appraisal reports specific to the subject property or properties, constitutes the "mass appraisal written report" as required by USPAP Standards 6-1 and 6-2. For mass appraisal, a written report is not provided for each individual property. An individual property record or worksheet may describe the valuation of a specific property after the application of the mass appraisal model. USPAP Standard 6-3 (certification) can be found at the end of this report. USPAP Standards 5-1 through 5-7 (instructions and explanations regarding the development, application, and reconciliation of mass appraisal values), as they apply to P&A mass appraisal procedures, are discussed below. USPAP DOES NOT DICTATE THE FORM, FORMAT, OR STYLE OF APPRAISAL REPORTS, WHICH ARE FUNCTIONS OF THE NEEDS OF USERS AND PROVIDERS OF APPRAISAL SERVICES. USPAP ALSO DOES NOT MANDATE THAT EACH APPRAISAL REPORT BE LENGTHY AND FULL OF DISCLAIMERS. Readers should note that all P&A reports, unless stated otherwise, are of a "restricted" nature whereas additional documentation and detail may be available per certain Texas Property Tax Code provisions.

INTRODUCTION

Definition of Appraisal Responsibility (Scope of Effort): The Engineering Services Department of Pritchard & Abbott, Inc. (P&A) is responsible for developing fair and uniform market values for industrial, utility and personal properties.

P&A's typical client is a governmental entity charged with appraisal responsibility for ad valorem tax purposes, although other types of clients (private businesses, individuals, etc.) occasionally contract for appraisal services which are strictly for various non-ad valorem tax purposes so that no conflicts of interest are created with P&A's core ad valorem tax work.

P&A hereby makes the **assumption** that, in all appraisal assignments performed for governmental entities in satisfaction of contractual obligations related to ad valorem tax, the client does not wish to or cannot legally request the appraisal report not identify the client.

Intended users of our reports are typically the client(s) for which we are under direct contract. Although taxpayers or their agents who own and/or represent the subject property being appraised often receive these reports either by law or as a courtesy of the client or P&A, this receipt does not mean these parties automatically become Intended Users as defined by USPAP. **A party receiving a copy of a report in order to satisfy disclosure requirements does not become an intended user of the appraisal or mass appraisal unless the appraiser specifically identifies such party as an intended user.** Potential other users include parties involved in adjudication of valuation disputes (review board members, lawyers, judges, etc.), governmental agencies which periodically review our appraisals for various statutory purposes (such as the Texas Comptroller's Office) and private parties who may obtain copies of our appraisals through Open Records Requests made to governmental agencies.

This section of P&A's USPAP report is not applicable to any Industrial, Utility, or related Personal Property that an appraisal district appraises outside of P&A's appraisal services, in which case the appraisal district's overall USPAP report should be referenced.

P&A makes the **Extraordinary Assumption** that all properties appraised for ad valorem tax purposes are marketable whereas ownership and title to property are free of encumbrances and other restrictions that would affect fair market value to an extent not obvious to the general marketplace. If and/or when we are made aware of any encumbrances, etc., these would be taken into account in our appraisal in which case the extraordinary assumption stated above would be revoked.

P&A is typically under contract to determine current market value or “fair market value” of said industrial, utility, and related personal property. Fair market value is typically described as the price at which a property would sell for if:

- exposed in the open market with a reasonable time for the seller to find a purchaser;
- both the buyer and seller know of all the uses and purposes to which the property is, or can be, adapted and of the enforceable restrictions on its use; and
- both the buyer and seller seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other. [Exigencies are pressing or urgent conditions that leave one party at a disadvantage to the other.]

For ad valorem tax purposes the effective date is usually legislatively specified by the particular State in which we are working - for example, in Texas the lien date is January 1 per the Texas Property Tax Code. For ad valorem tax purposes, the date of the appraisals and reports are typically several months past the effective date, thereby leaving open the possibility that a retrospective approach is appropriate under limited and prescribed circumstances (information after the effective date being applicable only if it confirms a trend or other appraisal condition that existed and was generally known as of the effective date).

P&A believes this section of this report, in conjunction with any attached or separately provided P&A-generated report(s), meets the USPAP definition of “typical practice”; i.e., it satisfies a level of work that is consistent with:

- the expectations of participants in the market for the same or similar appraisal services; and
- what P&A’s peers’ actions would be in performing the same or similar appraisal services in compliance with USPAP.

Legal and Statutory Requirements: The provisions of the Texas Property Tax Code and relevant legislative measures involving appraisal administration and procedures control the work of P&A as a subcontractor to the Appraisal District. P&A is responsible for appraising property on the basis of its market value as of January 1 for ad valorem tax purposes for each taxing unit that imposes ad valorem taxes on property in the contracted Appraisal District. All industrial, utility and personal properties are reappraised annually. The definition of Fair Market Value is provided and promulgated for use in ad valorem tax work in Texas by the Texas Property Tax Code, and therefore as a **Jurisdictional Exception** supercedes the definition of “market value” as found in USPAP definitions.

Administrative Requirements: P&A follows generally accepted and/or recognized appraisal practices and when applicable, the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures. P&A, when applicable, also subscribes to the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP). In all cases where IAAO and/or USPAP requirements cannot be satisfied for reasons of practicality or irrelevancy, P&A subscribes to “generally accepted appraisal methods and techniques” so that its value conclusions are credible and defensible. P&A submits annual or biannual contract bids to the Office of the Chief Appraiser and is bound to produce appraisal estimates on industrial, utility and personal properties within the cost constraints of said bid. Any appraisal practices and procedures followed by P&A not explicitly defined through IAAO or USPAP

requirements are specified by the Texas Property Tax Code and/or at the specific request or direction of the Office of the Chief Appraiser.

Appraisal Resources

Personnel: The Engineering Services Department and P&A's appraisal staff consists of appraisers with degrees in engineering, business and accounting. All personnel are Registered Professional Appraisers with the State of Texas, or are progressing towards this designation as prescribed by the Texas Department of Licensing and Regulation (TDLR).

Data: A set of data characteristics (i.e. original cost, year of acquisition, quantities, capacities, net operating income, property description, etc.) for each industrial, utility and personal property is collected from various sources. This data is maintained in either hard copy or computer files. Each property's characteristic data drives the appropriate computer-assisted appraisal approach to valuation.

Information Systems: P&A's mainframe computer system is composed of in-house custom software augmented by schedules and databases that reside as various applications on personal computers (PC). P&A offers a variety of systems for providing property owners and public entities with information services.

VALUATION APPROACH (MODEL SPECIFICATION)

Concepts of Value: The valuation of industrial, utility and personal properties is not an exact science, and exact accuracy is not attainable due to many factors. These are considered complex properties and some are considered Special Purpose properties. Nevertheless, standards of reasonable performance do exist, and there are reliable means of measuring and applying these standards.

The evaluation and appraisal of industrial, utility and personal property relies heavily on the discovery of the property followed by the application of recognized appraisal techniques. The property is subject to inflation and depreciation in all forms. The appraisal of industrial and personal property involves understanding petroleum, chemical, steel, electrical power, lumber and paper industry processes along with a myriad of other industrial processes. Economic potential for this property usually follows either the specific industry or the general business economy. The appraisal of utility properties involves understanding telecommunications, electrical transmission and distribution, petroleum pipelines and the railroad industry. Utility properties are subject to regulation and economic obsolescence. The examination of utility property involves the understanding of the present value of future income in a regulated environment.

The goal for valuation of industrial, utility and personal properties is to appraise all taxable property at "fair market value". The Texas Property Tax Code defines Fair Market value as the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

- exposed for sale in the open market with a reasonable time for the seller to find a purchaser;
- both the seller and the purchaser know of all the uses and purposes to which the property is adapted and for which it is capable of being used and of the enforceable restrictions on its use; and
- both the seller and purchaser seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.

Approaches to Value for Industrial, Utility, and Personal Property

Cost Approach: The use of cost data in an appraisal for market value is based upon the economic principle of substitution. This method is most readily applicable to the appraisal of industrial and personal property and some utility property. Under this method, the market value of property equals the value of the land plus the current cost of improvements less accrued depreciation. An inventory of the plant improvements and machinery and equipment is maintained by personally inspecting each facility every year. **As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., relies predominantly on the cost approach to value in the appraisal of industrial, utility, and personal property.**

Market Approach: This approach is characterized as one that uses sales data available from actual transactions in the market place. There are two factors that severely limit the usefulness of the market approach for appraising industrial, utility and personal properties. First, the property sales data is seldom disclosed; consequently there is insufficient market data for these properties available for meaningful statistical analysis. Second, all conditions of sale must be known and carefully investigated to be sure one does have a comparative indicator of value. Many times when these properties do change hands, it is generally through company mergers and acquisitions where other assets and intangibles in addition to the industrial, utility and personal property are involved. The complexity of these sales presents unique challenges and hindrances to the process of allocation of value to the individual components of the transaction.

In the case of industrial, utility and personal properties, a scarcity of sales requires that all evidence of market data be investigated and analyzed. Factors relative to the sale of these properties are:

- plant capacity and current production; terms of sale, cash or equivalent;
- complexity of property;
- age of property;
- proximity to other industry already operated by the purchaser; and
- other factors such as capital investment in the property.

As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., rarely employs a rigorous application of the market approach in the appraisal of industrial, utility, and personal property.

Income Approach: This approach to value most readily yields itself to all income generating assets, especially utility properties. Data for utility properties is available from annual reports submitted to regulatory agencies whereby future income may be estimated, and then this future income may be converted into an estimate of value. The valuation of an entire company by this method is sometimes referred to as a Unit Value. Many refer to this as a capitalization method, because capitalization is the process of converting an income stream into a capital sum (value). As with any method, the final value estimate is no better than the reliability of the input data. The underlying assumption is that people purchase the property for the future income the property will yield.

The relevant income that should be used in the valuation model is the expected future net operating income after depreciation but before interest expense (adjustments for Federal Income Taxes may or may not be required). Assumptions of this method are:

- Past income and expenses are a consideration, insofar as they may be a guide to future income, subject to regulation and competition.
- The economic life of the property can be estimated.
- The future production, revenues and expenses can be accurately forecasted. Future income is less valuable than current income, and so future net income must be discounted to make it equivalent to the present income. This discount factor reflects the premium of present money over future money, i.e., interest rate, liquidity, investment management, and risk.

As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., employs the income approach in the appraisal of industrial and utility property only when quantifiable levels of income are able to be reliably determined and/or projected for the subject property. P&A does not employ the income approach in the appraisal of personal property.

DATA COLLECTION/VALIDATION

Sources of Data: The main source of P&A's property data for industrial and personal property is through fieldwork by the appraisers and commercially/publicly available schedules developed on current costs. Data for performing utility appraisals is typically provided by the taxpayer or is otherwise available at various regulatory agencies (Texas Railroad Commission, Public Utilities Commission, FERC, et. al.). Other discovery tools are financial data from annual reports, information from chief appraisers, renditions, tax assessors, trade publications and city and local newspapers. Other members of the public often provide P&A information regarding new industry and other useful facts related to property valuation.

Data Collection Procedures: Electronic and field data collection requires organization, planning and supervision of the appraisal staff. Data collection procedures have been established for industrial and personal properties. Appraisers gather and record information in the mainframe system, where customized programs serve as the basis for the valuation of industrial, utility and personal properties. P&A is divided into multiple district offices covering different geographic zones. Each office has a district manager and field staff. While overall standards of performance are established and upheld for the various district offices, quality of data is emphasized as the goal and responsibility of each appraiser. Additionally, P&A's Engineering Services Department provides supervision and guidance to all district offices to assist in maintaining uniform and consistent appraisal practices throughout the company.

VALUATION ANALYSIS (MODEL CALIBRATION)

The validity of the values by P&A's income and cost approaches to value is tested against actual market transactions, if and when these transactions and verifiable details of the transactions are disclosed to P&A. These transactions are checked for meeting all requisites of fair market value definition. Any conclusions from this analysis are also compared to industry benchmarks before being incorporated in the calibration procedure. Appropriate revisions of cost schedules and appraisal software are annually made and then tested for reasonableness prior to the appraisals being performed.

INDIVIDUAL VALUE REVIEW PROCEDURES

Individual property values are reviewed several times in the appraisal process. P&A's industrial, utility, personal property programs and appraisal spreadsheets afford the appraiser the opportunity to review the value being generated. Often the appraiser is prompted to reevaluate some or all of the parameters of data entry so as to arrive at a value more indicative of industry standards. Examples of indicators are original cost, replacement cost, service life, age, net operating income, capitalization rate, etc. In addition to appraiser review, taxpayers are afforded the opportunity to review the appraised values either before or after Notices of Appraised Value are prepared. Taxpayers, agents and representatives routinely meet with P&A's appraisers to review parameters and to provide data not readily available to P&A through public or commercial sources, such as investment costs and capitalization rate studies. And of course, all property values are subject to review through normal protest and Appraisal Review Board procedures, with P&A acting as a representative of the Office of the Chief Appraiser.

PERFORMANCE TESTS

An independent test of the appraisal performance of properties appraised by P&A is conducted by the State of Texas Comptroller's Office through the annual Property Value Study for school funding purposes. This study determines the degree of uniformity and the median level of appraisal for utility properties. School jurisdictions are given an opportunity to appeal any preliminary findings. After the appeal process is resolved, the Comptroller publishes a report of the findings of the study, including in the report the median level of appraisal, the coefficient of dispersion around the median level of appraisal and any other standard statistical measures that the Comptroller considers appropriate.

USPAP STANDARDS 5, 6-1, 6-2: MASS APPRAISAL OF RESIDENTIAL REAL ESTATE

Note: This section, in conjunction with any attached or separately provided P&A-generated appraisal reports specific to the subject property or properties, constitutes the "mass appraisal written report" as required by USPAP Standards 6-1 and 6-2. For mass appraisal, a written report is not provided for each individual property. An individual property record or worksheet may describe the valuation of a specific property after the application of the mass appraisal model. USPAP Standard 6-3 (certification) can be found at the end of this report. USPAP Standards 5-1 through 5-7 (instructions and explanations regarding the development, application, and reconciliation of mass appraisal values), as they apply to P&A mass appraisal procedures, are discussed below. USPAP DOES NOT DICTATE THE FORM, FORMAT, OR STYLE OF APPRAISAL REPORTS, WHICH ARE FUNCTIONS OF THE NEEDS OF USERS AND PROVIDERS OF APPRAISAL SERVICES. USPAP ALSO DOES NOT MANDATE THAT EACH APPRAISAL REPORT BE LENGTHY AND FULL OF DISCLAIMERS. Readers should note that all P&A reports, unless stated otherwise, are of a "restricted" nature whereas additional documentation and detail may be available per certain Texas Property Tax Code provisions.

INTRODUCTION

Definition of Appraisal Responsibility (Scope of Effort): The Residential Division of Pritchard & Abbott, Inc. ("P&A" hereinafter), is responsible for developing fair and uniform market values for real estate parcels within certain Appraisal Districts. P&A contractually provides a wide degree of professional services depending upon each contract requirement.

P&A's typical client is a governmental entity charged with appraisal responsibility for ad valorem tax purposes, although other types of clients (private businesses, individuals, etc.) occasionally contract for appraisal services which are strictly for various non-ad valorem tax purposes so that no conflicts of interest are created with P&A's core ad valorem tax work.

P&A hereby makes the assumption that, in all appraisal assignments performed for governmental entities in satisfaction of contractual obligations related to ad valorem tax, the client does not wish to or cannot legally request the appraisal report not identify the client.

Intended users of our reports are typically the client(s) for which we are under direct contract. Although taxpayers or their agents who own and/or represent the subject property being appraised often receive these reports either by law or as a courtesy of the client or P&A, this receipt does not mean these parties automatically become Intended Users as defined by USPAP. **A party receiving a copy of a report in order to satisfy disclosure requirements does not become an intended user of the appraisal or mass appraisal unless the appraiser specifically identifies such party as an intended user.** Potential other users include parties involved in adjudication of valuation disputes (review board members, lawyers, judges, etc.), governmental agencies which periodically review our appraisals for various statutory purposes (such as the Texas Comptroller's Office) and private parties who may obtain copies of our appraisals through Open Records Requests made to governmental agencies.

This section of P&A's USPAP report is not applicable to any real estate property that an appraisal district appraises outside of P&A's appraisal services, in which case the appraisal district's overall USPAP report should be referenced.

P&A makes the **Extraordinary Assumption** that all properties appraised for ad valorem tax purposes are marketable whereas ownership and title to property are free of encumbrances and other restrictions that would affect fair market value to an extent not obvious to the general marketplace. If and/or when we are made aware of any encumbrances, etc., these would be taken into account in our appraisal in which case the extraordinary assumption stated above would be revoked.

P&A is typically under contract to determine current market value or “fair market value” of residential real estate. Fair market value is typically described as the price at which a property would sell for if:

- exposed in the open market with a reasonable time for the seller to find a purchaser;
- both the buyer and seller know of all the uses and purposes to which the property is, or can be, adapted and of the enforceable restrictions on its use; and
- both the buyer and seller seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other. [Exigencies are pressing or urgent conditions that leave one party at a disadvantage to the other.]

For ad valorem tax purposes the effective date is usually legislatively specified by the particular State in which we are working - for example, in Texas the lien date is January 1 per the Texas Property Tax Code. For ad valorem tax purposes, the date of the appraisals and reports are typically several months past the effective date, thereby leaving open the possibility that a retrospective approach is appropriate under limited and prescribed circumstances (information after the effective date being applicable only if it confirms a trend or other appraisal condition that existed and was generally known as of the effective date).

P&A believes this section of this report, in conjunction with any attached or separately provided P&A-generated report(s), meets the USPAP definition of “typical practice”; i.e., it satisfies a level of work that is consistent with:

- the expectations of participants in the market for the same or similar appraisal services; and
- what P&A’s peers’ actions would be in performing the same or similar appraisal services in compliance with USPAP.

Legal and Statutory Requirements: The provisions of the Texas Property Tax Code and relevant legislative measures involving appraisal administration and procedures control the work of P&A as an extension of the Appraisal District. P&A is responsible for appraising property on the basis of its market value as of January 1 for ad valorem tax purposes for each taxing unit that imposes ad valorem taxes on property in the contracted Appraisal District. The definition of Fair Market Value is provided and promulgated for use in ad valorem tax work in Texas by the Texas Property Tax Code, and therefore as a **Jurisdictional Exception** supercedes the definition of “market value” as found in USPAP definitions.

Administrative Requirements: P&A follows the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures. P&A also subscribes to the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP). P&A submits annual or biannual contract proposals to the Office of the Chief Appraiser and is bound to produce mass appraisal estimates on real estate properties within the cost constraints of said proposals. Any appraisal practices and procedures followed by P&A not explicitly defined through IAAO or USPAP requirements are specified by the Texas Property Tax Code or at the specific request or direction of the Office of the Chief Appraiser.

Appraisal Resources

Personnel: The Real Estate staff consists of licensed Registered Professional Appraisers through the Texas Department of Licensing and Regulation (TDLR), and are qualified to provide the complete range of professional appraisal services required.

Data: Common data characteristics (within each county) for each property are collected in the field and entered into each respective district's computer data base. This property data drives the computer-assisted mass appraisal (CAMA) approach to valuation.

Information Systems: The mainframe systems are augmented by the databases that reside as various applications on personal computers (PC). P&A offers a variety of systems for providing property owners and public entities with information services. The appraiser supervising any given contract fields many of the public's questions or redirects them to the proper division.

VALUATION APPROACH (MODEL SPECIFICATION)

Area Analysis: Data involving economic forces such as demographic, patterns, employment and income patterns, trends in real estate property prices and rents, interest rates, availability of property, economic and climatic factors that may affect production of rural lands, are collected from various sources. Any information particular to a given region or appraisal district helps the appraisal staff determine market conditions or trends that may affect market value.

Neighborhood and Market Analysis: Neighborhood analysis involves the examination of how physical, economic, governmental and social forces and other influences affect property values. The effect of these forces are also used to identify, classify, and organize comparable properties into smaller, manageable subsets of the universe of properties known as neighborhoods. A neighborhood is defined by natural, man-made, or political boundaries and is established by a commonality based on land users, types and age of buildings or population, the desire for homogeneity, or similar factors.

Each neighborhood may be characterized as being in a stage of growth, stability, or decline. The growth period is a time of development and construction. In the period of stability, or equilibrium, the forces of supply and demand are about equal. The period of decline reflects diminishing demand or desirability. During decline general property use may change. Declining neighborhoods may become economically desirable again and experience renewal, reorganization, rebuilding, or restoration, marked by modernization and increasing demand. The appraisal staff must analyze whether a particular neighborhood is in a period of growth, stability, or decline and predict changes that will affect future use and value. In mass appraisal applications the information can be useful for comparing or combining neighborhoods or for developing neighborhood ratings, which are introduced as adjustments in mass appraisal models.

Site descriptions and analysis provide a description of the subject property and an analysis of factors that affect the market value of the site. Site analysis also provides a basis for allocating values to land and improvements, for analyzing comparable sales to determine the highest and best use of the site, and for estimating locational obsolescence. A description of the subject building and other improvements provides a basis for analysis of comparable sales and rents; for the development of capitalization rates or multipliers; for highest and best use analysis of the site as improved; and for estimation of reproduction or replacement cost new and physical and functional depreciation. The analysis should show how the factors relate to the utility and marketability of the subject property, and, ultimately, its market value. The improvement analysis and the neighborhood analysis

focus on similar considerations; for example, whether the improvements represent highest and best use and conform to the neighborhood.

The improvement analysis describes relationships among items and compares them to those in competing properties and to neighborhood standards. Items that will be treated as functional obsolescence in the cost approach need through analysis. The condition of building components is particularly important because it provides the basis for estimates of effective age and remaining economic life.

Currently P&A provides most of its real estate appraisal services in primarily rural areas. The ability to perform detailed neighborhood and market analysis is somewhat limited in these areas where the necessary data is sometimes nonexistent.

Highest and Best Use Analysis: Highest and best use analysis is the culmination of regional, neighborhood, and site analysis. All three are used to help the appraisal staff understand the factors affecting property values in the market being analyzed and the most probable use of the site in long-run economic equilibrium. Highest and best use is the reasonable and probable use that supports the highest present value as of the date of the appraisal. The highest and best use must be physically possible, legal, financially feasible, and productive to the maximum, that is, highest and best use. The analysis should be done as of the date of appraisal. Just as real estate values change, the highest and best use of a property may change over time.

DATA COLLECTION/VALIDATION

Data Collection Manuals: Appraisal manuals are developed and distributed to all appraisers involved in the appraisal and valuation of real estate properties. The appraisal manual is reviewed and revised to meet the changing requirements of field data collection.

Sources of Data: Each District's appraisal manual and schedules are adopted and maintained by the P&A appraisal staff. Data used to perform appraisals are generally collected with a joint effort among appraisers and Appraisal District staff. Physical inspections are performed by the appraisers for various situations whether it be a normal reappraisal, a reinspection requested by the District, working building permits, etc.

Data Collection Procedures: Field data collection is coordinated and organized by the field appraisers to insure uniformity in appraisal technique. The staff conducts field inspections and record information on a particular property field worksheet. This data is entered into the respective computer database and serves as the basis for the valuation.

VALUATION ANALYSIS

Cost Schedules: P&A generally adopts existing cost schedules within each Appraisal District in which we provide appraisal services. These schedules are maintained and adjusted as needed to reflect the current market value conditions that are present in each respective district.

Sales Information: Sales are generally collected by the Appraisal District staff and provided to P&A appraisal personnel for sales ratio analysis.

Statistical Analysis: Appraisers perform statistical analysis annually to evaluate whether values are equitable and consistent with market conditions. Appraisal statistics, central tendency and dispersion generated from sales are available for each class of property. These summary statistics include mean and median ratios, standard deviation,

and coefficient of dispersion. They provide the analysis information to determine both the level and uniformity of the appraised values involved in the study.

Market Adjustment: Depending upon the data provided by the sales ratio analysis, market value tables may be adjusted accordingly to reflect accurate market values within a particular class of property.

INDIVIDUAL VALUE REVIEW PROCEDURES

Field Review: P&A provides field inspections depending upon the contractual arrangement with the appraisal district. In most cases field inspections are done within the outline of the respective Appraisal District's Reappraisal Plan.

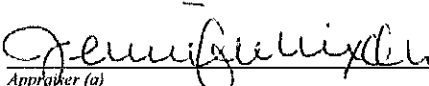
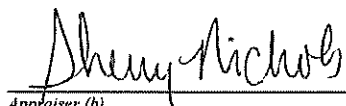
PERFORMANCE TESTS

An independent test of the appraisal performance of properties appraised by P&A is conducted by the State of Texas Comptroller's Office through the annual Property Value Study for school funding purposes. This study determines the degree of uniformity and the median level of appraisal for real estate properties. School jurisdictions are given an opportunity to appeal any preliminary findings. After the appeal process is resolved, the Comptroller publishes a report of the findings of the study, including in the report the median level of appraisal, the coefficient of dispersion around the median level of appraisal and any other standard statistical measures the Comptroller considers appropriate.

USPAP STANDARD 6-3: CERTIFICATION

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no (or the specified below) present or prospective interest in the property that is the subject of this report, and I have no (or the specified below) personal interest with respect to the parties involved.
- I have performed no (or the specified below) services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to any property that is the subject of this report or the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I have (or have not, if specified below) made a personal inspection of the properties that are the subject of this report. *(Any other signatories to this report have either made or not made a personal inspection of the properties as noted below.)*
- No one provided significant mass appraisal assistance to the person signing this certification. *(The name of each individual providing significant mass appraisal assistance, if any, is stated below.)*

		Inspected Property?	Provided Significant Appraisal Assistance?
 Appraiser (a)	7/14/2022 Date	NO <i>Yes / No</i>	YES <i>Yes / No</i>
 Appraiser (b)	7/14/2022 Date	NO <i>Yes / No</i>	YES <i>Yes / No</i>
_____ Supervising Appraiser / Dept. Manager	_____ Date	YES <i>Yes / No</i>	YES <i>Yes / No</i>
_____ District Manager	_____ Date	_____ <i>Yes / No</i>	_____ <i>Yes / No</i>

List of other individuals who provided significant mass appraisal assistance and/or personal inspection statement of any signatories:

A signed certification is an integral component of the appraisal report.

- When a signing appraiser has relied on work done by appraisers and others who do not sign the certification, the signing appraiser is responsible for the decision to rely on their work. The signing appraiser is required to have a reasonable basis for believing that those individuals performing the work are competent and that the work of those individuals is credible.
- An appraiser who signs any part of the mass appraisal report, including a letter of transmittal, must also sign this certification. This certification applies to all assignment results and well as all contents of the appraisal report(s).
- The names of individuals providing significant mass appraisal assistance who do not sign a certification must be stated in the certification. It is not required that the description of this assistance be contained in the certification, but disclosure of their assistance is required in accordance with Standards 6-2(g).
- The above certification is not intended to disturb an elected or appointed assessor's work plans or oaths of office.

