

EARNEST MONEY CONTRACT

Seller: Fred Villarreal and wife, Elva Villarreal

Purchaser: County of Hidalgo, Texas

Escrow Agent: Valley Land Title Company
612 Nolana, Suite 570
McAllen, Texas 78504

Title Company: Valley Land Title Company
612 Nolana, Suite 570
McAllen, Texas 78504

Seller agrees to sell to Purchaser, who agrees to purchase, the property described in this Contract upon the following terms and conditions.

ARTICLE I

THE PROPERTY

The property is that certain tract of real property located in Hidalgo County, Texas, (the "Property"), and more particularly described on Exhibit "A", attached hereto, together with any rights and appurtenances pertaining to the Property, including any right, title and interest of Seller in and to adjacent streets, alleys and rights-of-way.

ARTICLE II

PURCHASE PRICE

2.1 The total purchase price ("Purchase Price") for the Property shall be the sum of NINETEEN THOUSAND THREE HUNDRED SIXTY AND NO/100THS DOLLARS (\$19,360.00), payable in cash at Closing.

2.2 On execution of this Contract, Purchaser shall deposit with the Escrow Agent the sum of \$1,000.00 as Earnest Money to bind this sale. The Earnest Money shall be deposited by the Escrow Agent in an interest bearing account until the date of Closing, at which time it and the interest earned thereon shall be returned to Purchaser provided Purchaser is not default hereunder. In the event of Purchaser's default, the Earnest Money shall be disposed of as hereinafter provided.

2.3 Termination Option. For nominal consideration, the receipt of which is hereby acknowledged by Seller, and Purchaser's agreement to pay Seller One Hundred Dollars (\$100.00) (Option Fee) within 2 days after the effective date of this Contract, Seller grants Purchaser the unrestricted right to terminate this Contract by giving notice of termination to Seller within Sixty (60) days after the Effective Date of the Feasibility Study as contained

in Article VI of this contract such effective date being the same date of Sellers written notice as required in Article VI of this contract. If Purchaser gives notice of termination within the time prescribed, the Option Fee will not be refunded; however, any earnest money will be refunded to Purchaser. The Option will be credited to the Sales Price at closing. **Time is of the essence for this paragraph and strict compliance with the time for performance is required.**

ARTICLE III

REPRESENTATIONS AND WARRANTIES

3.1 Seller represents to Purchaser as follows, with respect to the Property:

A. There are no pending condemnation proceedings or special assessments of any nature affecting any part of the Property, and Seller has received no notice that any such proceedings or assessments are contemplated.

B. Seller has received no notice of any action, claim, suit, proceeding or investigation, pending or threatened against Seller affecting any portion of the Property.

C. There are no attachments, executions or assignments for the benefit of creditors, or voluntary or involuntary proceedings in bankruptcy pending, contemplated or threatened against Seller or the Property.

D. Seller has paid all local taxes that have been assessed against Seller or the Property.

E. Seller has disclosed to Purchaser all known environmental conditions affecting the Property.

F. Seller will permit the Purchaser and its environmental consultants to enter upon the Property during normal business hours to conduct environmental study(s) and assessments to determine the environmental condition of the Property.

G. Seller will permit Purchaser and its environmental consultant(s) to have access to books and records of the Seller, if any, relating to the environmental condition of the Property.

H. There are no actions, suits, claims, assessments, or proceedings pending or, to the knowledge of Seller, threatened that could materially adversely affect the ownership, operation, or maintenance of the Property or Seller's ability to perform hereunder.

I. There are no leases or other agreements in effect relating to the

surface estate of the real property described on Exhibit "A" attached hereto.

J. Seller shall immediately notify Purchaser of any material change in respect of the Property or any information heretofore or hereafter furnished to Purchaser in respect of the Property.

3.2 This Contract is contingent upon and subject to the conditions that, as of the date of Closing there shall not have been any material error, variance or misstatement in the representations or material breach in the warranties made by Seller in this Contract. If, prior to Closing, Purchaser discovers that one or more of the representations of Seller herein are materially untrue or inaccurate, or if any part or all of the Property fails to pass any inspection of any governmental entity, Purchaser shall have the option of (i) terminating this Contract and receiving the Earnest Money, or (ii) waiving all or a part of the conditions in writing and closing the sales transaction in accordance with the terms and provisions of this Contract.

3.3 Purchaser represents and warrants to Seller, which representations and warranties shall survive Closing, that Purchaser has the authority to purchase the Property, make the representations contained herein and to perform all terms and conditions required of Purchaser herein.

ARTICLE IV

TITLE

4.1 Within ten (10) days from the date of this Contract, Seller shall, at Seller's sole expense, cause to be furnished to Purchaser a current Commitment for Owner Policy of Title Insurance ("the Title Binder") issued by Title Company, describing the Property, naming Purchaser as the prospective insured and showing as the policy amount the total purchase price for the Property. The Title Binder shall commit the Title Company to issue an Owner Policy of Title Insurance guaranteeing Purchaser's title to the Property to be good and indefeasible.

4.2 At the same time that Seller causes the Title Binder to be furnished to Purchaser, Seller shall also cause to be delivered to Purchaser true copies of all recorded instruments referred to in the Title Binder as conditions or exceptions to title to the Property.

ARTICLE V

SURVEY

Within forty-five (45) days from the Effective Date, PURCHASER, at its sole cost and expense, shall obtain and deliver one (1) copy to OWNER and one (1) copy to the Title Company of a current minimum standard detail requirements for land title surveys (the "Survey") prepared by a registered public surveyor licensed in the State of Texas and approved by PURCHASER showing the Property, together with a corresponding metes and bounds field-notes description of the Property in Exhibit "A". The Survey and description shall be prepared in a form acceptable to PURCHASER and to permit the Title Company to delete the standard survey exception. The Survey shall include the plotting and permanent location of easements, rights-of-way, encroachments, improvements, fences, building set-back lines and other matters located on the ground. The Survey shall fix, locate, stake, and permanently monument all exterior boundary lines and corners of the Property. The surveyor shall additionally calculate and indicate on the Survey the square footage, expressed to five significant figures, and the square feet of land contained within the boundaries of the Property and the square feet within any easement, right-of-way, or encroachment, each expressed to five significant figures. The surveyor shall additionally calculate and indicate on the Survey the acreage and square feet of land within the boundaries of the Property, if any, that lie within the 100-year flood plan (as defined in 44 Code of Federal Regulations, '59.1), or flood hazard zone or fault zone (herein collectively referred to as "Hazard Zone"). The Survey shall contain a certification signed by the surveyor, in form acceptable to the Title Company and PURCHASER.

If the Survey shows any matters that are objectionable to PURCHASER, PURCHASER shall so notify OWNER within thirty (30) days from the date of PURCHASER'S receipt of the Survey. Upon the expiration of said (30) day period, PURCHASER shall be deemed to have accepted all matters disclosed on the Survey (except for any matters to which notice under the preceding sentence has been given to OWNER) and such matters may be shown as Permitted Exceptions on the owner policy of title insurance required of Owner under this Option. OWNER shall, within fifteen (15) days of receipt of said notice of objections, have the option, in its sole discretion, of either (i) terminating this Option Contract, in which event all Option Payments received by Owner hereunder shall be returned to PURCHASER and neither party shall have any further obligations to the other or (ii) clearing the objections so specified.

5.1 Purchaser shall have a period of twenty (20) business days following the date of receipt by Purchaser of the Survey described in Article 5 hereof to give Seller written notice of any title exceptions it deems objectionable. If Purchaser gives such notice to Seller, Seller shall use Seller's best efforts to cure such objections, but shall not be obligated to institute litigation for such purpose. If Purchaser gives notice of title objections and Seller does not cure the objections within fifteen (15) days following receipt of the notice from Purchaser, then Purchaser may either:

(a) terminate this Contract by giving written notice thereof to Seller and receive back the Earnest Money; or

(b) waive the objections and purchase the Property subject to the objections which shall be deemed to be Permitted Encumbrances.

5.2 All title exceptions not objected to or objected to and later waived shall be deemed to be Permitted Encumbrances.

ARTICLE VI

FEASIBILITY STUDY

So long as this Contract is in effect and Purchaser is not in default hereunder, Purchaser shall have sixty (60) days following the date of this Contract for Purchaser or its representatives to enter upon the Property for the purpose of inspecting the Property and any improvements thereon and conducting engineering studies (e.g., platting, utility cost and availability, sewer, drainage and road and street improvements), improvements inspections, architectural drawings regarding placement of improvements on the Property, environmental studies, of the Property and any improvements thereon, soil and subsoil tests, including the drilling of test holes and examining permits, legal requirements for operation of the Property, reviewing reasonable restrictions on the Property by Seller in order to determine the suitability of the Property for Purchaser's use, and such other tests or studies that Purchaser deems advisable. If any such test, study inspection, information or architectural drawing, in Purchaser's sole opinion, shall reveal that the Property is unsuitable or undesirable for Purchaser's use, then Purchaser may terminate this Contract without further liability, in which event Purchaser shall receive back the Earnest Money. However, Purchaser shall not permit any liens to attach to the Property by reason of the exercise of this right of inspection or study, nor shall Purchaser interfere with the rights of any party then in possession of the Property. All entry on the land prior to closing shall be at Purchaser's risk.

ARTICLE VII

CLOSING

7.1 Closing shall be held within thirty (30) days following the date of the expiration of the Feasibility Study described in Article VI hereof at the office of Valley Land Title Company, McAllen, Texas at the time as may be agreed upon by the parties.

7.2 At the Closing Seller shall deliver to Purchaser the following:

A. A General Warranty Deed duly executed and in recordable form conveying fee simple title to the Property to Purchaser free and clear of all liens and

encumbrances, except Permitted Encumbrances as defined in Section 5.2, above.

B. An Owner's Policy of Title Insurance issued by the Title Company in the amount of the purchase price insuring good and indefeasible title to the Property in Purchaser. The Policy shall be in the form prescribed by the State Board of Insurance of Texas and shall contain only those exceptions which constitute Permitted Encumbrances. The standard survey exception shall be deleted except as to shortages in area.

C. Tax Certificates from all taxing authorities showing no delinquent taxes against the Property.

D. Possession of the Property.

7.3 At the Closing, Purchaser shall deliver to Seller a certified or cashier's check for the amount of the Purchase Price.

ARTICLE VIII

ADJUSTMENTS AND EXPENSES

8.1 Real estate taxes for the year of Closing are to be adjusted and prorated as of the date of Closing. In the event that actual tax figures for the year of Closing are not available at Closing, an estimated proration of taxes shall be made on the basis of the tax rate for the preceding year applied to the latest assessed valuation. Purchaser shall pay any and all rollback taxes resulting from a change of use by Purchaser following date of Closing. If Seller's change in use of the Property prior to closing or denial of a special use valuation on the Property claimed by Seller results in assessments for periods prior to closing, the assessments will be the obligation of Seller. Obligations imposed by this paragraph will survive closing.

8.2 Purchaser shall pay costs of recording instruments presented by the Seller, the survey and its own attorney's fees. The cost of the Owner Policy of Title Insurance, tax certificates, and all other expenses of Closing shall be paid by Seller.

ARTICLE IX

DEFAULT

If Purchaser fails to comply with the obligations as set out in this Agreement, Seller may terminate this Contract and receive the Earnest Money as liquidated damages. If Seller fails to comply herewith for any reason, Purchaser may terminate this Contract and receive the Earnest Money as Purchaser's sole remedy, thereby releasing Seller from this Contract or enforce specific performance.

ARTICLE X

ATTORNEY'S FEES

Any signatory to this Contract who is the prevailing party in any legal proceeding against any other signatory brought under or with relation to this Contract or transaction, shall be additionally entitled to recover Court costs and reasonable attorneys' fees from the non-prevailing party.

ARTICLE XI

CONDEMNATION AND CASUALTY LOSS

11.1 If prior to the Closing all or any substantial portion of the Property is condemned, either party shall have the right to terminate this Contract upon giving written notice to the other party within ten (10) days of the date Seller notifies Purchaser in writing of such condemnation. In the event of such termination, Purchaser shall be entitled to the return of the Earnest Money. If neither party elects to terminate this Contract, then the Closing shall take place, as herein provided, without abatement of the purchase price and Seller shall assign to Purchaser at the Closing, all interest of Seller in any condemnation awards which may be payable to Seller as a result of the condemnation. If less than a substantial portion of the Property is condemned, neither party may terminate this Contract but all interest of Seller in any condemnation proceeds shall be assigned by Seller to Purchaser at the Closing.

11.2 A substantial portion is defined to be either five percent (5%) or more in value of the Property.

11.3 Casualty Loss. If any part of the Property is damaged or destroyed by fire or other casualty after the effective date of this contract, Seller shall restore the Property to its previous condition as soon as reasonably possible, but in any event by the Closing Date. If Seller fails to do so due to factors beyond Seller's control, Purchaser may (a) terminate this contract and the earnest money will be refunded to Purchaser (b) extend the time for performance up to 15 days and the Closing Date will be extended as necessary or (c) accept the Property in its damaged condition with an assignment of insurance proceeds and receive credit from Seller at closing in the amount of the deductible under the insurance policy. Seller's obligations under this paragraph are independent of any other obligations of Seller under this contract.

ARTICLE XII

LIENS AND TAXES

12.1 The existence of any other liens or encumbrances which secure an obligation to pay money shall not be objections to title provided that properly executed instruments in recordable form necessary to satisfy the same are delivered to Purchaser at the Closing, together with recording or filing fees, and such liens or encumbrances may be paid out of the cash consideration, if any, paid by Purchaser at the Closing. Purchaser, if request is made within a reasonable time prior to the date of Closing, agrees to provide at the Closing separate certified checks, as requested, aggregating the balance of the purchase price, to facilitate the satisfaction of any such liens or encumbrances.

12.2 Unpaid federal or state inheritance tax which is a lien against the Property shall be no objection to title, provided Seller at Closing agrees to provide at the Closing separate certified checks, as requested, aggregating the balance of the purchase price, to facilitate the satisfaction of any such liens or encumbrances.

ARTICLE XIII

ASSIGNMENT

13.1 This Contract may not be assigned by Purchaser without Seller's prior written consent.

ARTICLE XIV

SURVIVAL

14.1 Any representations, warranties or covenants of the parties, as well as any rights and benefits of the parties, shall survive the Closing and not be merged therein.

ARTICLE XV

MISCELLANEOUS

15.1 Time shall be of the essence of this Contract.

15.2 This Contract and all of the terms, provisions and covenants contained herein shall apply to, be binding upon and inure to the benefit of the parties hereto, their respective heirs, personal representatives, successors and assigns.

15.3 The captions used in connection with the paragraphs in this Contract are for convenience only and are not intended in any way to amplify or limit the meaning of the language contained in this Contract, or be used in interpreting the meanings and provisions of this Contract.

15.4 This Contract shall be construed and interpreted under the laws of the State of Texas, and all obligations of the parties created hereunder are performable in Hidalgo County, Texas.

15.5 In case any one or more of the provisions contained in this Contract shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions hereof and this Contract shall be construed as if such invalid, illegal or unenforceable provisions had never been contained herein.

15.6 All notices, demands or requests required or permitted under this Contract shall be in writing, and shall be deemed to have been properly given, whether or not actually received, when the same have been deposited in the United States mail, postage prepaid, registered or certified mail, return receipt requested, addressed to the appropriate party at the address given for such party at the beginning of this Contract.

15.7 This Contract contains the entire agreement between the parties and supersedes all prior agreements and understandings between the parties concerning the Property, and it shall not be amended, modified, supplemented or changed in any way except by written agreement of the parties.

15.8 Seller agrees to indemnify and hold harmless Purchaser from any and all costs, expenses or damages resulting from any claims for brokerage fees or other similar form of compensation made by any real estate broker or other person or entity because of the sale of the Property.

15.9 Should either party be in default under any of the terms of this Contract, the non-defaulting party shall so notify the defaulting party in writing and the defaulting party shall have a period of twenty (20) days from the receipt of such notice to cure the default.

15.10 In addition to the acts recited in this Contract to be performed by Seller and Purchaser, the parties hereto agree to perform or cause to be performed at the Closing or after the Closing, any and all such further acts as may be reasonably necessary to consummate transactions contemplated hereby.

15.11 In the event that this Contract or any provision hereof is construed or determined to be ambiguous by any Court of Law, then in that event the parties agree that each through its attorney has contributed to the preparation of this Contract and have jointly written or composed the clauses herein contained; and neither party hereto should

be given any advantage over the other under the laws of construction of instruments based upon the authorship hereof.

15.12 The Earnest Money is deposited with Escrow Agent with the understanding that Escrow Agent (i) does not assume or have any liability for performance or nonperformance of any party; (ii) has the right to require the receipt, release and authorization in writing of all parties before paying the Earnest Money to any party; and (iii) is not liable for interest or other charge on the funds held. If any party unreasonably fails to agree in writing to an appropriate release of Earnest Money, then such party shall be liable to the other parties as provided in Article IX. At Closing, Earnest Money plus interest accrued thereon shall be applied to any cash down payment required, next to Purchaser's closing costs and any excess refunded to Purchaser.

15.13 If Seller is not a foreign person, as defined in the Federal Foreign Investment in Real Property Tax Act of 1980 and the 1984 Tax Reform Act, as amended (the Federal Tax Law), then at the Closing, Seller will deliver to Purchaser a certificate so stating, in a form complying with the Federal Tax law. If Seller is a foreign person or if Seller fails to deliver the required certificate at the Closing, then in either such event the funding to Seller, at the Closing, will be adjusted to the extent required to comply with the withholding provisions of the Federal Tax law; and although the amount withheld will still be paid at the Closing by Purchaser, it will be retained by the Title Company as Escrow Agent (the reasonable fees of which shall be paid by Seller at the Closing) for delivery to the Internal Revenue Service together with the appropriate Federal Tax law forwarding forms, and with copies being provided both to Seller and to Purchaser.

15.14 If Seller has not executed and delivered this Earnest Money Contract to Purchaser on or before _____, 2008, Purchaser's offer to purchase the Property shall automatically terminate and this Earnest Money Contract shall be of no further force and effect.

15.15 **Notice.** Except as may be otherwise specifically provided in this Agreement, all notices, demands, requests or communication required or permitted hereunder shall be in writing and shall either be (i) personally delivered against a written receipt, or (ii) sent by registered or certified mail, return receipt requested, postage prepaid and addressed to the parties at the addresses set forth below, or at such other addresses as may have been theretofore specified by written notice delivered in accordance herewith:

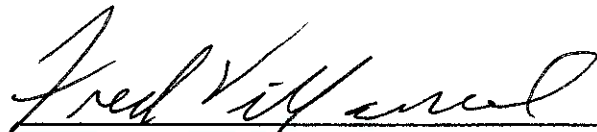
If to County: Hidalgo County, Texas
 Attention: County Judge
 P.O. Box 758
 Edinburg, Texas 78540-0758


If to Seller: Fred Villarreal and Elva Villarreal
4807 Ritz
Edinburg, Texas 78539-7870

Each notice, demand, request or communication which shall be delivered or mailed in the manner described above shall be deemed sufficiently given for all purposes at such time as it is personally delivered to the addressee or, if mailed, at such time as it is deposited in the United States mail.

The date of this Contract is the 23rd day of December, 2008 (the "Effective Date").

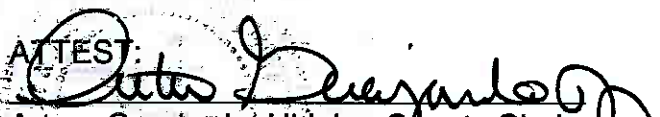
SELLER:


FRED VILLARREAL


ELVA VILLARREAL

PURCHASER:


By: Juan de Dios (J. D.) Salinas, III
Hidalgo County Judge

ATTEST:

Arturo Guarjardo, Hidalgo County Clerk



Receipt of a fully executed Contract and \$10,000.00 earnest money in the form of a check are hereby acknowledged this ____ day of _____, 2008 at _____, _____.M.

ESCROW AGENT:

VALLEY LAND TITLE COMPANY

By:_____

Seller and Purchaser designate the following named attorneys to represent their respective interest herein:

PURCHASER'S ATTORNEY:

Atlas & Hall, L.L.P.
Attn: Stephen L. Crain
818 Pecan
McAllen, Texas 78501
(956) 682-5501 Telephone
(956) 686-6109 Facsimile

SELLER'S ATTORNEY:

EXHIBIT "A"

A tract of land out of Block 200 in the LaBlanca Tract of the Llano Grande Grant, Hidalgo County, Texas, being that same tract of land described in the deed dated October 8, 1926 from Ladd Farm Mortgage Company to The San Antonio and Aransas Pass Railway Company, predecessor to Union Pacific Railroad Company, duly recorded in Hidalgo County Deed Records on February 18, 1927 in Volume 242 on Page 276, and being more particularly described by metes and bounds as follows:

Beginning at the northwest corner of Block 200 of the Llano Grande grant, being also the northwest corner of the tract described hereby;

thence South $0^{\circ} 41'$ East, along the west line of said Block 200, a distance of 80.0 feet, to a point for southwest corner of the tract described hereby;

thence North $89^{\circ} 19'$ East, a distance of 1316.4 feet more or less, to a point in the east line of said Block 200, being also the southeast corner of the tract described hereby;

thence North $0^{\circ} 41'$ West, along the east line of said Block 200, a distance of 80.0 feet more or less, to the northwest corner of said Block 200, being also the northeast corner of the tract described hereby;

thence South $89^{\circ} 19'$ West, along the north line of the said Block 200, a distance of 1316.4 feet more or less, to the northwest corner of the said Block 200 and the point of beginning.

The said tract containing 2.41 acres of land, more or less.

REAL ESTATE APPRAISAL REPORT
TEXAS DEPARTMENT OF TRANSPORTATION

Address of Property: Located along the East line of Sunflower Road, North Account: N/A
 of SH 107 in Hidalgo County, Texas.

Property Owner: Fred Villarreal & Elva Villarreal Parcel: N/A
 Address of Property Owner: 4807 Ritz Edinburg, TX 78539-7870 CSJ: N/A
 Occupant's Name: Vacant Federal Project No: N/A
 Whole: Partial: Acquisition Highway: Sunflower Road County: Hidalgo

Purpose of the Appraisal

The purpose of this appraisal is to estimate the market value of the fee simple title to the real property to be acquired, encumbered by any easements not to be extinguished, less oil, gas and sulphur. If this acquisition is of less than the whole property, then any special benefits and/or damages to the remainder property must be included in accordance with the laws of Texas.

Market Value

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

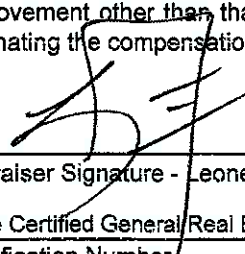
Certificate of Appraiser

I hereby certify that, it is my opinion the total compensation for the acquisition of the herein described property is \$19,360.00 as of December 16, 2008 based upon my independent appraisal and the exercise of my professional judgment; on December 16, 2008, (date)(s), I personally inspected in the field the property herein appraised; I have not afforded Fred Villarreal & Elva Villarreal, the property owner or the representative of the property owner, the opportunity to accompany me at the time of the off-site inspection. They reserve the right for an on-site inspection with this appraiser if requested.

The comparables relied upon in making said appraisal were as represented by the photographs contained in the appraisal report and were inspected on December 16, 2008 (date)(s), I have not revealed and will not reveal the findings and results of such appraisal to anyone other than the proper officials of the County of Hidalgo, Texas Department of Transportation, or officials of the Federal Highway Administration until authorized by State officials to do so, or until I am required to do so by due process of law or until I am released from this obligation by having publicly testified to such findings; and, my compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result or the occurrence of a subsequent event.

I certify to the best of my knowledge and belief that 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, unbiased professional analyses, opinions and conclusions; I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved; and, my analyses, opinions and conclusions were developed, and this report has been prepared in conformity with the appropriate State laws, regulations, and policies and procedures applicable to the appraisal of right of way for such purposes, and that to the best of my knowledge no portion of the value assigned to such property consists of items which are noncompensable under the established law of said State,

and any decrease or increase in the fair market value of subject real property prior to the date of valuation caused by the public improvement other than that due to the physical deterioration within the reasonable control of the owner has been disregarded in estimating the compensation for the property.



 Appraiser Signature - Leonel Garza III

 State Certified General Real Estate Appraiser - TX 1328375-General
 Certification Number

 December 16, 2008

 Date

To the best of my knowledge, the value does not include any items which are not compensable under state law.	
_____	_____
District Reviewing Appraiser	Date

Certificate of Appraisal

This appraisal report conforms to the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Standards Board of the Appraisal Foundation. The subject property was analyzed utilizing the Cost Approach to value which is a Sales Comparison Approach to the subject as if vacant and includes the estimated depreciated market value of real estate improvements located within the part to be acquired. This is further explained within each section of the appraisal report.

Identification of Client & Intended User of Appraisal Report

The client for this report is identified as Hidalgo County Precinct No. 4 under the direction of Honorable Hidalgo County Commissioner Oscar L. Garza. Commissioner Garza and others involved with the San Carlos Drainage Improvement Project are requesting said appraisal report for the purpose of acquiring the subject property as part of the master drainage plan for the community of San Carlos. The subject property shall be acquired for the creation of a holding pond in conjunction with the San Carlos Drainage Improvement Project. The intended use of the report is to assist Bob Kaufold, Hidalgo County Right-of-Way Agent for future negotiations of acquiring all or part of said property as fee simple in the name of the County of Hidalgo, Texas. This report is not intended for any other use, unless specified by the client. The clients have identified that the report shall be a limited restricted appraisal report, which is to conform with the ROW-A-6 Form Rev. 7/2004.

The intended user of the report is defined as Hidalgo County Precinct No. 4, and may include other County agencies and or state agencies which may be participating in the project. Bob Kaufold is a Right-of-Way Agent for Precinct No. 4 who has a local office established at Precinct No. 4, located at 1102 N. Doolittle Road, Edinburg, Texas 78539. Mr. Kaufold, shall be the project manager for this project under the direction of Commissioner Oscar L. Garza. Mr. Kaufold can be contacted at (956) 467-2617.

Scope of the Assignment

By work order dated December 12, 2008 on behalf of Hidalgo County Precinct No. 4, Bob Kaufold, requested for Leonel Garza Jr. & Associates LLC to prepare an appraisal report of the fee simple estate of the subject property described within this report. The scope of the assignment is to appraise the area as "fee simple", to be acquired as indicated by the deed and other documentation as provided by the client as of the date of on-site or off-site inspection as permitted by the owner of record. In the event the owner was not present during the inspection, the owner shall reserve the right to meet with this appraiser on-site at a later date if requested.

Market sales within the market area and comparable market areas are to be identified and analyzed for comparability and for their reliability in determining the estimated market value of the subject property. The comparables have been collected, confirmed and analyzed with respect to comparability to the subject property. These comparable sales were gathered through various sources which included the Greater McAllen Multiple Listing Service, Hidalgo County Appraisal District, local Realtors & Brokers, Real Estate Appraisers, and conversations with various owners along the project. The appraisal report shall indicate the current market value of the subject property as per date of on-site and or off-site inspection. This inspection is limited by the permissibility of the subject owner as per date of report. A copy of a certified letter of intent to inspect said property is located within the addenda of this appraisal report.

Purpose of the Appraisal Report

This appraisal is prepared for the purpose of estimating the current market value of the fee simple estate of the subject property in order to determine the value of the fee simple estate to be acquired by the County of Hidalgo, as defined within this report. This appraisal does not include any enhancement in value resulting from items of intangible personal property such as marketing and management skill, an assembled work force, working capital, trade names, franchises, patents, trademarks, contracts, leases, or operating agreements and project influence (if any exist).

The area to be acquired may contain personal property items and or real estate items, which may be compensable for the purpose of right-of-way acquisition only. These items deemed compensable shall be included within the body of the report and itemized for clarity. Any improvements not located within the part to be acquired and outside of the permissibility of inspection as defined by the subject owner, shall be given a stated value based on the assessment established by the Hidalgo County Appraisal District, unless they are affected by the part to be acquired. Based on the scope of the assignment for this particular tract, the single family residence and improvement shall not be included within the body of this report as they shall be removed by the current owner of record.

Property Rights Appraised

The property rights being appraised in this report consist of the fee simple estate of the subject property. Fee Simple Estate is defined by the Dictionary of Real Estate Appraisal, Fourth Edition, copyright 2002, page 113, by the Appraisal Institute as being: "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

Accessibility To Subject Property

The owner of record, as per the Hidalgo County Appraisal District was sent a letter of intent to inspect the subject property. The letter afforded the property owner the opportunity to accompany the appraiser during the on or off-site inspection of the subject property.

Analysis of Subject As A Whole

As per scope of the assignment, the subject property shall be analyzed based on the combination of information gathered from several sources including, any survey provided, on-site and or off-site inspection, personal interviews, and information gathered from the Hidalgo County Appraisal District. The property was analyzed based on the whole property less any existing road right-of-way in order to determine the net acreage value of the subject.

Economic Unit Analysis

The subject property shall be analyzed based on a 2.42 acre gross tract of land as described by information provided by title report. In addition, the subject title report indicated that the subject is encumbered with two easements throughout the property. These easements are indicated by title report provided by the client of which indicates a an easement in favor of Donna Irrigation District Hidalgo County No. 1 and a perpetual easement for a natural gas pipeline to Union Pacific Railroad Company. As per scope of the assignment the appraiser shall evaluate the subject property as fee simple for purposes of this report unless instructed otherwise. The comparable sales used for the analysis of the subject property as whole indicated a range of economic units of 4.00 acres to 21.63 acres. These indicated economic unit tracts shall be utilized for the analysis of the subject property.

To Be Acquired (Net)	2.420 Acres
	105,415 S.F.

Legal Description of Area to Be Acquired

A 2.41 acre tract of land out of Block 200 in the La Blanca Tract of the Llano Grande Grant, Hidalgo County, Texas, being that same tract of land described in the deed dated October 8, 1926 from Ladd Farm Mortgage Company to the San Antonio and Aransas Pass Railway Company, predecessor to Union Pacific Railroad Company, duly recorded in Hidalgo County Deed Records on February 18, 1927 in Volume 242 on Page 276 and being more particularly described by metes and bounds in Document No. 1447269.

Remainder Before and After The Acquisition

Since the subject property shall be a whole acquisition, no remainder shall remain. Therefore, no further analysis is required for the remainder before and after the acquisition.

Property Tax Information

This appraiser has examined the property tax information indicated by the Hidalgo County Appraisal District (HCAD) as of the date of appraisal and has found that the subject property is under the ownership of Fred Villarreal & Elva Villarreal. The part to be acquired was identified as the subject whole property which contained tax identification no. L0450-00-200-0000-18. The subject property, which is a vacant tract of land, is assessed at \$13,141. The property taxes for the subject appear to be current, however, further research with the Hidalgo County Tax Office shall be required to confirm any outstanding tax liabilities attributable to the subject property.

Environmental Assessment / Adverse Easements / Encroachments / Topography

This appraiser has made an off-site inspection of the subject property, and no obvious adverse environmental concerns or potentially hazardous materials were observed. This appraiser is not qualified to make a detailed environmental study and highly recommends that an inspection be made by a qualified environmental engineer if an environmental concerns exists. Leonel Garza Jr. & Associates LLC has performed this appraisal report under the hypothetical condition and extraordinary assumption that the subject property has not experienced any adverse environmental concerns which may influence it's marketability and or value.

A survey of the subject property was not provided as per date of report. Therefore, the extraordinary assumption that no adverse easements nor encroachments are located within the subject property of which would affect the value of the whole. The subject property was observed that the property is lower in grade than surrounding tracts along State Highway 107. However, with the overall size of the subject property, a portion of the northern boundary could be utilized for fill for thus a detention pond for future development. However, this appraiser is not an engineer and cannot certify to the topography nor drainage of the subject property as a whole and would recommend a study be performed in order to verify topography.

Utility Services Available

The subject property is located in a region, which contains, water, electricity, and phone service, which is typical of the market area.

Identification of Personal Property

As per scope of the assignment, no personal property located within the subject property shall be included. It is indicated by Bob Kaufold, the current property owner shall be remove any site improvements, if they exist, from the subject property.

Current Listing Status

As per date of inspection, it was indicated via small sign that the subject property is being listed for sale by the property owner. A photo of the sale sign is included in this report. The owner of record is currently listing the subject property for \$20,000 or best cash offer.

Estimated Marketing Time Period

The indicated marketing period is based on the marketing periods of the comparable sales used in the Sales Comparison Approach and the surrounding sales found. Based on the research performed, a twelve (12) to twenty-four month (24) marketing time period appears to be adequate. This time period was selected after a review of multiple land sales within the Edinburg, San Carlos, La Blanca, and Pharr markets. The analysis included the indicated "DOM" Days on Market as shown on the McAllen Multiple Listing Service which provides local Realtors an avenue to advertise properties located in the Rio Grande Valley, with its primary focus on properties within Hidalgo County.

Exposure Time

Exposure time is defined as the "length of time 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." Based on research performed within the market area, an indicated twelve (12) to twenty-four month (24) exposure time is indicated for the subject property. This was estimated based on current and past listings located within the market area which were reviewed during our sales search for comparables similar to the subject property.

Statement of Highest & Best Use

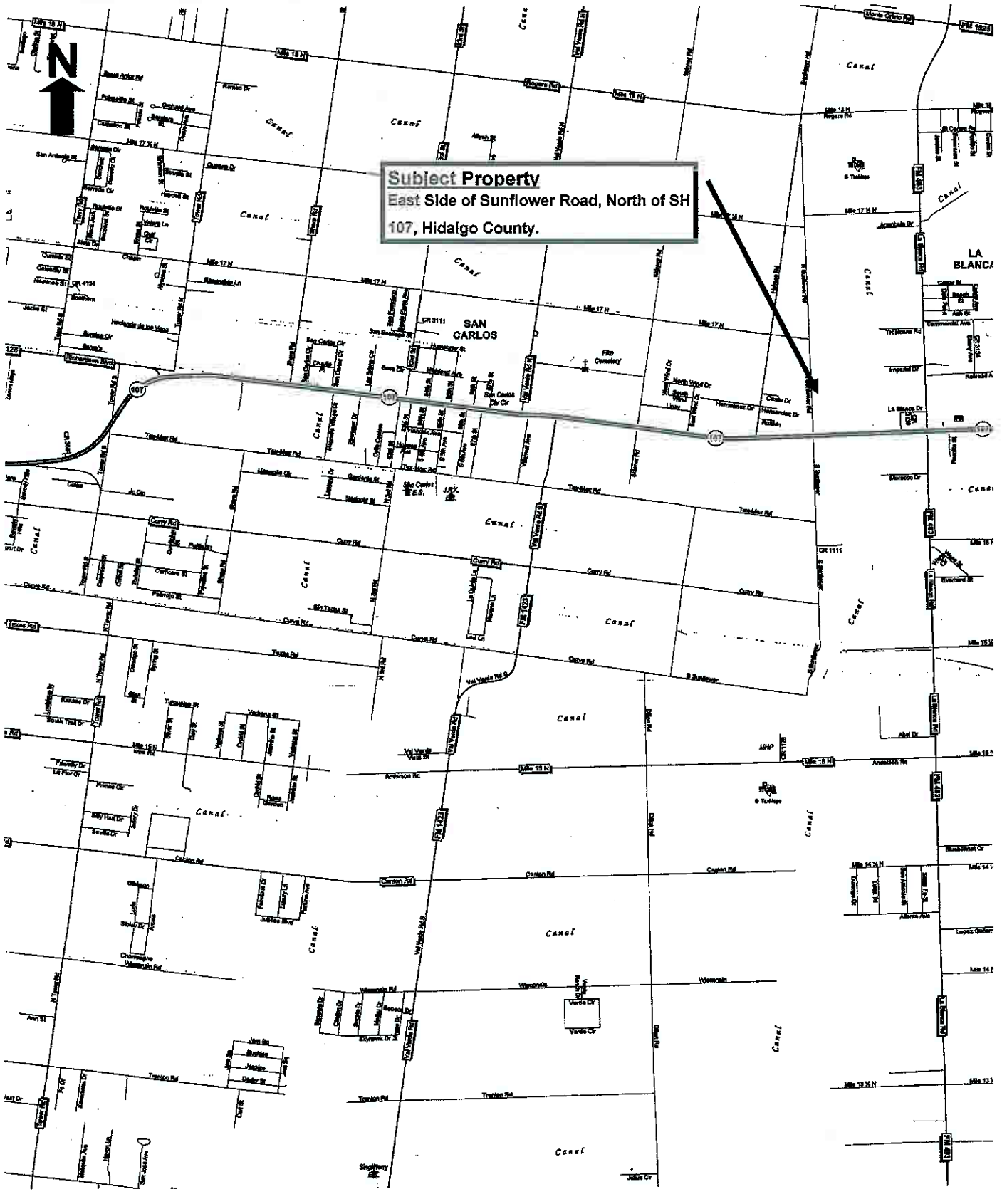
The subjects highest and best use as vacant and as if improved is indicated for limited single family residential use such as for a mobile home and or for assemblage with a neighboring property. This type of use is concurrent with the recent trends located along Sunflower Road within the communities of San Carlos and La Blanca, Texas. This highest and best use is based on the determined economic unit of the subject property as whole and the overall dimensions of the subject property.

When a property is evaluated, the highest and best use must always be considered. In the current case the highest and best use of the whole is determined to be for limited residential use and or assemblage based on several factors. These factors that are taken into consideration are defined by The Dictionary of Real Estate Appraisal, Fourth Edition, copyright 2002, page 135, by the Appraisal Institute as being: "The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and there results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity."

The scope of the assignment is to evaluate the subject property as a whole excluding project influence as required by Standards Rule 1-4(f) under the Jurisdictional Exception provision as defined by the Uniform Standards of Professional Appraisal Practice (USPAP). In order to determine the highest and best use, research was performed within the communities of San Carlos and La Blanca to determine the legal permissibility of land use along Sunflower Road and neighboring thoroughfares within the County of Hidalgo. The County of Hidalgo does not contain municipal zoning restriction in the area, however, the Hidalgo County Planning Department shall oversee the type of use available based on the model subdivision rules adopted by the County of Hidalgo. Due to the limited frontage and the overall depth of the subject property, a limited single family residential use is indicated for the subject property. An alternative to this limited use shall be for acquisition or assemblage of said tract with the neighboring property to the north or south of the subject property for continued single family residential use.

The financial feasibility and maximally productivity use of the subject property is based on the limited growth along Sunflower Road and the knowledge of severe flooding in the immediate area. After careful review of the four approaches to the highest and best use test, it is concluded that the subject property "as vacant" shall be for limited single family residential use and or assemblage.

LOCATION MAP OF SUBJECT PROPERTY



Subject Property
East Side of Sunflower Road, North of SH
107, Hidalgo County.

AERIAL PHOTOGRAPH OF SUBJECT AREA



AERIAL PHOTOGRAPH OF SUBJECT

(Closer View of Subject Property)



NOTE: A SURVEY OF SUBJECT WAS NOT PROVIDED. THE SUBJECT PROPERTY AS A WHOLE IS ESTIMATED AND DEPICTED BY THE RED DASHED LINE, AND IS ESTIMATED BASED ON INFORMATION GATHERED DURING THE INSPECTION OF THE SUBJECT PROPERTY OR THE HIDALGO COUNTY APPRAISAL DISTRICT.

PHOTOGRAPHS OF SUBJECT PROPERTY

Parcel No.: N/A

Local Address: Located along the East line of Sunflower Road, North of SH 107 in Hidalgo County, Texas.

Date Taken: December 16, 2008

Taken By: Leonel Garza III

1. Point from which taken: Photo 1: Sunflower Road
Photo 2: Sunflower Road

Looking: Photo 1: Eastern View
Photo 2: Eastern View



Photo 1

Eastern view of the subject property; taken from Sunflower Road.



Photo 2

Additional eastern view of the subject property; taken from Sunflower Road.

2. Point from which taken: Photo 3: Sunflower Road
Photo 4: Sunflower Road

Looking: Photo 3: Southern View
Photo 4: Southern View



Photo 3

Southern view of Sunflower Road.



Photo 4

Southern view of "For Sale" sign located along on the subject.

DESCRIPTION OF PROPERTY:

The subject property, as a whole, is a 2.42 acre gross tract of land currently being utilized for a non-income producing use. It appears that construction material has been placed sporadically throughout the subject property. The subject properties dimensions are indicated to be 80' lineal feet wide by a depth of 1,300 lineal feet, subject to survey. The subject property appears to be not level and typical of the market as the subject is a former railroad right-of-way. The subject property did not contain any structural improvements on site at the time of off-site inspection. The subject property lies within an area indicated to be in flood zone "AH" as indicated by FEMA Flood Control Map No. 480334-0325-D. Several rural utilities and services are available to the subject site, including potable water, electricity and phone service which is typical for this market area. As noted within the title report, the subject property is encumbered by two specific easements of which are in favor of the Donna Irrigation District Hidalgo County No. 1 and a perpetual easement for a natural gas pipeline to Union Pacific Railroad Company.

AREA OR NEIGHBORHOOD ANALYSIS:

The subject neighborhood along State Highway 107 is a mixture of sparse single family homes, small commercial and light industrial developments. Leonel Garza Jr. & Associates LLC has inspected the market area along State Highway 107 and has found that the market contains stable growth as traffic in the immediate area along State Highway 107 continues to increase.

SITE ANALYSIS:

Five Year Sales History: The subject property is indicated to be under the ownership of Fred Villarreal & Elva Villarreal as indicated by Deed Without Warrant (Doc# 1447269). The subject property was transferred from Union Pacific Railroad Company (Grantor) to Fred & Elva Villarreal (Grantee) on March 11, 2005. Therefore, the subject has been in the name of Fred Villarreal & Elva Villarreal for over three (3) years.

**Legal Description:
(Whole Property)** A 2.41 acre tract of land out of Block 200 in the La Blanca Tract of the Llano Grande Grant, Hidalgo County, Texas, being that same tract of land described in the deed dated October 8, 1926 from Ladd Farm Mortgage Company to the San Antonio and Aransas Pass Railway Company, predecessor to Union Pacific Railroad Company, duly recorded in Hidalgo County Deed Records on February 18, 1927 in Volume 242 on Page 276 and being more particularly described by metes and bounds in Document No. 1447269.

Improvements: During the off-site inspection of the subject property, no building improvements nor site improvements were located on the subject property. Any utilities located within the part to be acquired shall be relocated as an item of construction and shall not be included within the compensation of the subject property. Therefore the subject property shall be valued as a residential tract of land similar to the surrounding market area.

Highest and Best Use: Assemblage With Neighboring Property

VALUATION OF PART TO BE ACQUIRED

**LAND VALUATION
 Representative Comparable Sales**

	Subject	Comp. No. 1	Comp. No. 2	Comp. No. 3
Grantor	Union Pacific Rail Road Company	Hidalgo Gin Company, Inc.	Marcos Mariscal	Jerry K. Miller and wife, Susie Miller
Grantee	Fred Villarreal & Elva Villarreal	Arnold Maldonado	Jose Luis Perez	Juanita Morales
Date of Sale	March 11, 2005	October 15, 2007	August 1, 2007	October 27, 2008
Unit Price	/ Ac	17,337 / Ac	37,500 / Ac	12,222 / Ac
Relative Location	Average	Superior -20%	Superior -30%	Superior -10%
Lot Location	Interior Tract	Corner -5%	Interior 0%	Corner -5%
Financing	Conventional	Similar 0%	Similar 0%	Similar 0%
Conditions of Sale	Cash To Seller	Similar 0%	Similar 0%	Similar 0%
Market Conditions	Average	Similar 0%	Similar 0%	Similar 0%
Physical Characteristics	Irregular Shape 80' x 1,360'	Superior -20%	Superior -20%	Superior -20%
Available Utilities	Water / Electricity / Phone	Similar 0%	Similar 0%	Similar 0%
Street Access / Frontage	Sunflower Rd.	SH 107 and Val Verde Rd. -25%	SH 107 -25%	Tower Road and Chapin Road -10%
Size of Tract	2.42 Ac	21.63 Ac 10%	4.00 Ac 0%	9.00 Ac 5%
Net Adjustments		Δ -60%	Δ -75%	Δ -40%
Indicated Unit Value		\$ 6,935 / Ac	\$ 9,375 / Ac	\$ 7,333 / Ac
Estimated Unit Value of Fee Simple Area				\$ 8,000 / Ac
Estimated Value by Sales Comparison Approach				\$ 19,360

Explanation of Adjustments with Reconciliation Located On Page 4.0

COMPARABLE DATA SUPPLEMENT

ROW Account: N/A Parcel No.: N/A Highway: Sunflower Road County: Hidalgo

Land Sale Improved Sale Rental Data



Grantor/ Lessor: Hidalgo Gin Company, Inc. Grantee/Lessee: Arnold Maldonado
 Date: October 15, 2007 Recording Information: Doc# 1817403 Key Map: N/A
 Address: Northwest corner of State Highway 107 and Val Verde Road, San Carlos, Texas 78539 Zip Code: 78558

Legal Description: Tract 1: A 17.96 acre tract of land, more or less, situated in and a part of Lot Fourteen (14), Section Two Hundred Fifty-three (253), Texas-Mexican Railway Company's Survey, Hidalgo County, Texas, as per map or plat thereof recorded in Volume 2, Page 29, Map Records, Hidalgo County, Texas. Tract 2: A 3.67 acre tract of land, more or less, situated in and a part of Block Six (6) and Block Seven (7), San Carlos Original Townsite, Hidalgo County, Texas, as per map or plat thereof recorded in Volume 5, Page 1, Map Records, Hidalgo County, Texas.

Confirmed Price : \$ 375,000 Verified with: MLS# A15074s

Terms and Conditions of Sale: Cash To Seller

Rental Data: N/A

Land Size: 21.63 Acres or 942,203 Sf Unit Price as Vacant \$ 17,337 / Ac or 0.40 / Sf

Type Street: Asphalt Paved Utilities: Water/ Electricity/ Septic

Improvement(s) Description: N/A

Improvement(s) N/A (GBA) N/A (NRA) N/A Unit Price as Improved \$: N/A

Condition and Functional Design: N/A

Current Use: Vacant Highest and Best Use: Residential

Date of Inspection: December 16, 2008 Zoning: SFR Flood Plain: Zone "X"

Attach Additional Information: The subject property is a 21.63 acre tract of land, comprised of two separate tracts of land. Tract One is a 17.96 Acre tract and tract two is a 3.67 acre tract. The property is located along at the northwest corner of State Highway 107 and Val Verde Road. The subject is located in a flood zone area designated as Zone "X" by FEMA.

Appraiser: Leonel Garza III December 16, 2008
 (Typed, not signed) Date

COMPARABLE DATA SUPPLEMENT

ROW Account: N/A Parcel No.: N/A Highway: Sunflower Road County: Hidalgo

Land Sale Improved Sale Rental Data



Grantor/ Lessor: Marcos Mariscal Grantee/Lessee: Jose Luis Perez

Date: August 1, 2007 Recording Information: Doc# 1796922 Key Map: N/A

Address: 2010 W. Hwy. 107, La Blanca, Texas 78558 Zip Code: 78588

Legal Description: The west 4 acres of the east 17 acres of the west 20 acres of Lot 193, La Blanca Agricultural Subdivision "B", Hidalgo County, Texas, according to the map thereof recorded in volume 2, Page 42, Map Records in the Office of the County Clerk of Hidalgo County, Texas.

Confirmed Price: \$ 150,000 Verified with: MLS# E11059s

Terms and Conditions of Sale: Cash To Seller

Rental Data: N/A

Land Size: 4.00 Acres or 174,240 Sf Unit Price as Vacant: \$ 37,500 /Acre or \$ 0.86 / Sf

Type Street: Asphalt Paved Utilities: Water/ Electricity/ Septic

Improvement(s) Description: N/A

Improvement(s) Size: N/A (GBA) N/A (NRA) N/A Unit Price as Improved \$: N/A

Condition and Functional Design: N/A

Current Use: Commercial / Residential Use Highest and Best Use: Residential

Date of Inspection: December 16, 2008 Zoning: SFR Flood Plain:

Attach Additional Information:

The subject property is a 4.00 acre tract of land, (as per Deed), located along the southern frontage of SH 107, just east of Fm 493. The property is located in a area utilized for a mix of commercial and residential uses. The dimensions of the subject property are 150' x 1,130', with 150' lf of frontage along SH 107. The property at the time of sale was improved, but was being sold as is for "land value".

Appraiser: Leonel Garza III December 16, 2008
(Typed, not signed) Date

COMPARABLE DATA SUPPLEMENT

ROW Account: N/A Parcel No.: N/A Highway: Sunflower Road County: Hidalgo

Land Sale Improved Sale Rental Data



Grantor/ Lessor: Jerry K. Miller and wife, Susie Miller Grantee/Lessee: Juanita Morales

Date: October 27, 2008 Recording Information: Doc# 1949313 Key Map: N/A

Address: Located at the Northeast corner of Mile 17 Road and Tower Road, Edinburg, Texas. Zip Code: 78539

Legal Description: A 9.0 acre tract of land being 9.0 acres out of the west 10.0 acres of Lot 5, Block 254, save and except the North 35.0 feet for the Hidalgo County Water District No. 1, Texas-Mexican Railway Company Survey Subdivision, as per map or plat thereof recorded in Volume 1, page 21, Map Records, Hidalgo County, Texas.

Confirmed Price: \$ 110,000 Verified with: MLS# A115392s

Terms and Conditions of Sale: Cash To Seller

Rental Data: N/A

Land Size: 9.00 Acres or 392,040 Sf Unit Price as Vacant: \$ 12,222 / Acre or \$ 0.28 / Sf

Type Street: Asphalt Paved Utilities: Water/ Electricity/ Septic

Improvement(s) Description: N/A

Improvement(s) Size: N/A (GBA) N/A (NRA) N/A Unit Price as Improved: N/A

Condition and Functional Design: N/A

Current Use: Vacant Highest and Best Use: Residential

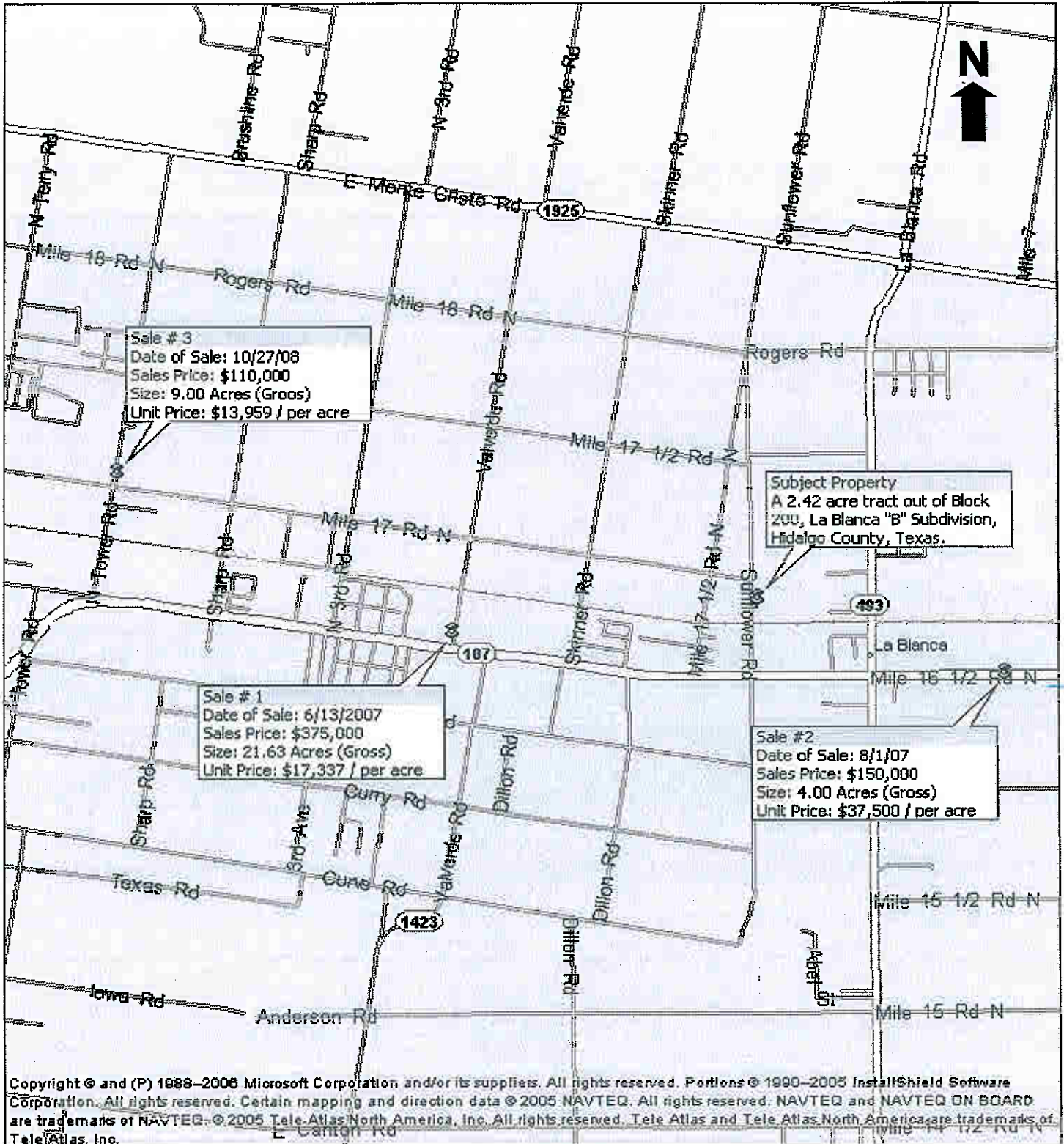
Date of Inspection: December 16, 2008 Zoning: SFR Flood Plain: Zone "X"

Attach Additional Information:

The subject property is an irregular shaped tract located at the northeast corner of Tower Road and Chapin Road. The property is located in an area indicated to be Zone "X" by FEMA mapping service.

Appraiser: Leonel Garza III December 16, 2008
(Typed, not signed) Date

COMPARABLE SALES MAP



Explanation of Adjustments with Reconciliation:

During the analysis of the part to be acquired, the value for the subject property as a whole was determined. This determination of market value is utilized for the valuation of the part to be acquired which is a pro-rata part of the whole. The local market was searched for comparable sales of which contained similar frontage along Sunflower Road and other nearby thoroughfares. Several sales were located within this parameter had occurred within the past two years. Three sales were selected which were the most comparable to the subject property and required the least number of adjustments. The following three comparable sales were reviewed for location, available utilities, financing, site utility, topography and other factors of which the real estate market shall recognized for the purchase of said tracts.

Sale No. 1 is located at the northwest corner of State Highway 107 and Val Verde Road in San Carlos, Texas. The property was purchased for \$375,000 for 21.63 acres which equates to a unit rate of \$17,337 per acre. Due to the sales superior location as compared to the subject property a downward adjustment of -20% was indicated. A downward adjustment of -5% was indicated as the sale has corner influence. Further adjustments were required for the level topography of the sale as compared to the subject property of -25%. A final adjustment of +10% was indicated for the difference in size. Based on these adjustments, a unit value for the subject property is indicated to be \$6,935 per acre.

Sale No. 2 is located at the along the southern side of State Highway 107, East of FM 493 in Hidalgo County in La Blanca, Texas. The property was purchased for \$150,000 for 4.00 acres which equates to a unit rate of \$37,500 per acre. Due to the sales superior location as compared to the subject property a downward adjustment of -30% was indicated. Further adjustments were required for the level topography of the sale compared to the subject property of -20%. A final adjustment of -25% was indicated for superior street access of the sale as compared to the subject. Based on these adjustments, a unit value for the subject property is indicated to be \$9,375 per acre.

Sale No. 3 is located at the northeast corner of Chapin Road and Tower Road in Hidalgo County. The property was purchased for \$110,000 for 9.00 acres which equates to a unit rate of \$12,222 per acre. Due to the sales superior location as compared to the subject property a downward adjustment of -10% was indicated. A downward adjustment of -5% was indicated as the sale has corner influence. Further adjustment was required for the level topography of the sale as compared to the subject property of which a -20% was indicated. An additional adjustment of -10% was indicated for superior street access of the sale as compared to the subject. A final adjustment of +5% was indicated for the difference in size. Based on these adjustments, a unit value for the subject property is indicated to be \$7,333 per acre.

Reviewing the comparable sales selected, an unadjusted range of market unit value of \$17,337 per acre to \$37,500 per acre is indicated. After applicable adjustments were made in a paired sales analysis of the comparables to the subject property, an adjusted range of unit market value of \$6,935 per acre to \$9,375 per acre was determined. Based on the subject property location along Sunflower Road and the level of debris located on-site a value near the mid range of the adjusted unit rates was selected for the subject property, \$8,000 per acre. This unit rate multiplied by the net land area of 2.45 acres equates to an overall market value of \$19,360.

ESTIMATED VALUE OF ACQUISITION

Land:	2.420 Acres @ \$ 8,000 per Acre	\$	19,360
	(105,415) square feet		
Improvements:	<u>No Site Improvements Indicated</u>	\$	-
	_____	\$	-
	_____	\$	-
	_____	\$	-
	_____	\$	-
	Total Improvements	\$	-
TOTAL ESTIMATED VALUE	_____	\$	19,360
Cost To Cure Damages	_____	\$	-
Estimated Total Compensation	_____	\$	19,360

ADDENDUM

- 1. Certification of Appraisal**
- 2. Assumption & Limiting Conditions**
- 3. Qualifications of Appraisers**
- 4. Warranty Deed**
- 5. Engagement Letter**

Certification of Appraisal

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

- * The statements of fact contained in this report are true and correct.
- * The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- * I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
- * I have no bias with respect to the property that is the subject of this report or to the parties involved 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 development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- * My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice in conjunction with the standards accepted by the Texas Department of Transportation.
- * I have made a personal observation of the property that is the subject of this report. Assisting in the gathering of on-site and off-site information during the date of inspection was Luis Carlos Garza, General Certified Appraiser. His specific use during this project was limited to the measuring of improvements located within taking and those items which may be damaged by the part to be acquired, aiding in the photography of the subject property and partial analysis. The full analysis and data gathering of sales information and other information concerning the subject property was performed by Leonel Garza III, General Certified Appraiser.
- * I certify that, to the best of my knowledge and belief, the reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
- * I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representative and for the purpose of right-of-way acquisition only and does not meet the standards required by certain financial institutions for the purpose of acquiring a loan.
- * The employment and compensation of this appraiser in completing this appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of the client to begin negotiations of said property for acquisition.



Leonel Garza III
General Certified Real Estate Appraiser
License No. TX - 1328375-General



Luis Carlos Garza
General Certified Real Estate Appraiser
License No. TX - 1338051 - General

ASSUMPTIONS AND LIMITING CONDITIONS

This report has been prepared with the following general assumption:

1. No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management are assumed.
4. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
5. All engineering, title reports and surveys provided are assumed to be correct. The survey and field notes and other illustrative material in this report are included only to assist the reader in visualizing the property.
6. It is assumed that there are no hidden or un-apparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
7. It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
8. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
9. It is assumed that the use of the land and improvements is confined within the boundaries or property line of the property described and that there is no encroachment or trespass unless noted in the survey provided.
10. Unless otherwise stated in this report, this appraiser did not observe the existence of hazardous material, which may or may not be present on the property. The appraiser does not have any knowledge of the existence of such material on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

This appraisal report has been made with the following general limiting conditions:

1. Any allocation of the total value of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
2. Possession of this report, or a copy thereof, does not carry with it the right of publication without the written permission of Leonel Garza Jr. & Associates LLC.
3. The appraiser, by reason of this appraisal, is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.
4. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser and or the client of this report.
5. If the property rights appraised are the "Leased Fee Estate", then the final indicated market value estimate is based on the continued performance under the lease terms.
6. All original appraisal reports have been signed in blue. Any other copy, which is not signed in blue, may have been altered, and this appraiser is not responsible for its contents or values indicated.

Assumptions and Interpretations Made of the Marketing Period

1. Marketing Time Period: Begins with the date of value estimate and with the indicated exposure time.
2. Exposure to the open market: listing the property on the market for sale with a Realtor, member of Multiple Listing Service, or a licensed Real Estate Broker, that will properly expose the property to the market. This appraiser does not consider a sign placed by a property owner on the property as proper marketing. If the property is presently listed for sale on the market, this appraiser must be notified prior to the completion of the appraisal.
3. Exposure Time: The length of time 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.

QUALIFICATIONS OF APPRAISER - LEONEL GARZA III

Education

Graduate, 1995, Texas A&M University, College Station, Texas (Bachelor of Science in Biomedical Science)

Graduate, 1991 McAllen Memorial High School, McAllen, Texas

Licenses

State Certified General Real Estate Appraiser

Number TX - 1328375-General

Licensed Since December 31, 1998

Expires: December 31, 2008 (Active)

State Certified Property Tax Consultant

Number TX - 00003181

Licensed Since May 20, 2002

June 16, 2008 through June 16, 2009 (Active)

Public Service Organizations

Member of the Appraisal Institute (Not MAI Designated)

Currently taking courses toward the designation of MAI through the Appraisal Institute.

National Association of Master Appraisers

Designated as a Master Senior Appraiser in 2006 by the National Association of Master Appraisers. This designation is obtained thru educational requirements and experience.

Former Chairman of the City of McAllen Zoning Board of Adjustments and Appeals

This city board has the duty to hear and decide appeals where it is alleged there is error in any requirement, or determination made administratively in the enforcement of the Zoning Ordinance. The Board hears appeals that grant variances to setback requirements and special exceptions to reconstruction of nonconforming buildings.

Chairman of the Hidalgo County Subdivision Advisory Board

This county board on subdivision reviews primary goal is to ensure that proper standards, set by Texas Water Development Board and the Texas Subdivision Model Rules and or opinions from the Texas State Attorney Generals Office, are conducted in the development of proposed subdivision within the County of Hidalgo and or Extraterritorial Jurisdiction of municipalities throughout the County of Hidalgo. The boards secondary function is to review applications for variances against the Flood Plain Administrators decisions of the base flood elevations throughout the County of Hidalgo.

Chairman of the Hidalgo County Building Line of Adjustments

This county board reviews applications of variances to general set-back regulations set forth by the County of Hidalgo. This review includes the review of existing and or proposed encroachments into set-backs, easements, road right-of-way set-back, subdivision plat requirements and or requirements set forth by adjoining municipalities of which the subject is within the extraterritorial jurisdiction.

Member of The McAllen Palm City Lions Club

Direct the fund raising for the annual Thanksgiving Drive on behalf of Lion Leonel Garza Jr. who founded the drive more than 20 years ago. In 2005 & 2006, the club raised funds to feed 60 family's throughout the City of McAllen.

Former Executive Board Member of the Lower Rio Grande Valley Boy Scouts Council

The goal of the council is to maintain membership and the continued progress of the boy scouts within the Lower Rio Grande Valley. The council shall maintain progress reports of financial status of the council and plan for events world wide which local children may participate as a representative of the council. These events include the World Jamboree and the National Jamboree.

Former Vice Chairman of the City of McAllen Ambulance Advisory Committee

Evaluates and reports to the City Commission on the operation of the emergency ambulance service rendered by company or companies rendering such service.

Former Member of the City of McAllen Building Board of Adjustments and Appeals

The BBOA reviews the decision of City Staff for the demolition of properties deemed unsafe through the City for a variety of reasons. The board review all facts and concerns and make the decision to secure or proceed with demolition based upon the safety of the neighboring property owners and occupants. The greatest concern for the commission is the safety of the surrounding neighborhood occupants.

Former Member of the Pharr Municipal Park Charter Committee

Appointed in 1998-1999, our goal was to establish a 103 acre master planned recreational park to the City of Pharr during our membership with the City of Pharr Leadership Class X.

WORK EXPERIENCE & CONTINUING EDUCATION

- * Employee of Leonel Garza Jr. & Associates since 1990
- * State Certified General Real Estate Appraiser since 1998 - Present
- * Owner of G-3 Construction which primary focus is custom single-family residences and multifamily apartment complexes.
- * Commercial property manager throughout the City of McAllen & Pharr, Texas.
- * Appraiser Trainee from 1995 thru 1998 under the sponsorship of Leonel Garza Jr. Leonel Garza Jr. was a State Certified General Real Estate Appraiser in McAllen, Texas for over 18 years, and was a Board Member of the Texas State Appraisal Review Board from October 23, 1995 Through September 15, 1998 appointed by Governor George W. Bush for two terms.

Clients For Whom Appraisals Have Been Prepared By This Appraiser

Banks	Bankruptcy Courts	<u>Cities</u>	<u>Counties</u>
Attorneys	Texas Department of Transportation	Alamo	Hidalgo
Retailers	Homeowners	Mission	Cameron
Doctors	Rancher	McAllen	Star
Oil Companies	Banks	Pharr	
Farmers	National Franchises Estate Planners	Hidalgo	
Mortgage Companies		San Juan	
Hotel Franchises		Edinburg	
US Department of Interior		Mercedes	

Type of Appraisals Which Have Been Prepared By This Office

Caliche Pits / Land Fills	Apartment Complexes	Agricultural Land
Commercial Lots	Automobile Agencies	Bar / Lounges
Convenience Stores	Mini-Storage Units	Grocery Stores
Farms & Ranches	Mobile Home Park Subdivision	Multi- Tenant Retail
Industrial (McAllen Foreign Trade Zone)	Motels / Hotels	Multi-Tenant Offices
Industrial Subdivisions	Ranches	Residential
Medical Offices	Residential Subdivisions	Vacant Residential Lots
Retail Commercial Strips	Restaurants	Veterinary Clinics
Warehouses	Right-of-Way Acquisitions	
	Truck Stops	

Areas Where Appraised Properties Have Been Performed By This Office

Alamo	Georgewest	McAllen	Rio Grande City
Alice	Hargill	McCook	Roma
Austin	Harlingen	Mercedes	San Antonio
Beeville	Hidalgo	Mission	San Juan
Donna	Kingsville	New Braunfels	South Padre Island
Edcouch	Kyle	Palmview	Sullivan City
Edinburg	La Feria	Pleasanton	Weslaco
Eagle Pass	La Joya	Port Isabel	Zapata
Elsa	Los Ebanos	Progreso	

QUALIFICATIONS OF APPRAISER - LUIS C. GARZA

Education

- Graduate 2002 University of Texas Pan American, Edinburg, Texas
Bachelor of Business Administration
- Graduate 1995 McAllen High School, McAllen, Texas

Licenses Held

- State Certified General Real Estate Appraiser
Number TX-1338051-General
Licensed since July 28, 2008
Expires: July 31, 2010 (Active)

Public Service Organization

- McAllen Palm City Lions Club – Active Member

Professional Associations

- International Right of Way Association – Active Member (Member #7899432)

Work Experience

- Employee of Leonel Garza Jr. and Associates since 2004

WARRANTY DEED (Page 1 of 4)

1447269

Space Above for Recorder's Use Only

Notice of Confidentiality Rights: If you are a natural person, you may remove or strike any of the following information from this instrument before it is filed for record in the Public Records; your Social Security Number or your Driver's License Number.

2286-46

DEED WITHOUT WARRANTY

STATE OF TEXAS

COUNTY OF HIDALGO

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KNOW ALL MEN BY THESE PRESENTS:

UNION PACIFIC RAILROAD COMPANY, a Delaware corporation, Grantor, (formerly known as Southern Pacific Transportation Company, a Delaware corporation) for and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, to it in hand paid by FRED VILLARREAL and ELVA VILLARREAL, husband and wife as community property, Grantees, to be addressed at 4807 Ritz, Edinburg, Texas 78539, the receipt of which is hereby acknowledged, has granted, sold and conveyed, and by these presents does grant, sell and convey, without any warranty, express or implied, (including, without limitation, any warranty or covenant implied under the provisions of Section 5.023 of the Texas Property Code, which provisions are hereby expressly waived by Grantees even as to the return of the purchase price), unto the said Grantees, the strip or tract of land (hereinafter the "Property") lying in the County of Hidalgo, State of Texas, described in Exhibit A hereto attached and hereby made a part hereof.

EXCEPTING from this conveyance and RESERVING unto Grantor, its successors and assigns, forever, an existing natural gas pipeline and appurtenant facilities, whether owned by Grantor or any third party, and a PERPETUAL EASEMENT upon, along, under and across that portion of the Property that lies five feet (5') on each side of the centerline of such existing pipeline and appurtenant facilities (the "Easement Area"), for the purposes of constructing, maintaining, repairing, operating, renewing, replacing,

WARRANTY DEED (Page 2 of 4)

using and/or removing pipelines and appurtenant facilities (whether now or hereafter installed, and including facilities which are the technological successor to any existing or hereafter installed facilities); together with (a) the right of ingress and egress to and from the Easement Area, and (b) the right to grant, at Grantor's sole discretion, sub-easements, licenses and any other interests in the Easement Area with respect to the easement rights herein reserved, and to collect the rents, issues and profits therefrom, and from any existing contracts. In addition to and not in limitation of Grantor's rights under the foregoing reservation of easement, Grantees for themselves, their heirs and assigns, hereby covenants and agrees that Grantees shall not interfere in any manner with the rights of Grantor's Licensee under that certain License Agreement between Southern Pacific Company (predecessor in interest to Grantor) and Pan American Petroleum Corporation dated April 22, 1969, identified in Grantor's records as Audit Number S160036 adopted by Blanket Adoption Agreement dated June 30, 1991, between Grantor and Apache Corporation, identified in Grantor's records as Audit Number S160036 and granting certain rights to said Licensee to use the Property for natural gas pipeline purposes; and

FURTHER EXCEPTING from this conveyance and FURTHER RESERVING unto Grantor, its successors and assigns, forever, an existing natural gas pipeline and appurtenant facilities, whether owned by Grantor or any third party, and a PERPETUAL EASEMENT upon, along, under and across that portion of the Property that lies five feet (5') on each side of the centerline of such existing pipeline and appurtenant facilities (the "Easement Area"), for the purposes of constructing, maintaining, repairing, operating, renewing, replacing, using and/or removing pipelines and appurtenant facilities (whether now or hereafter installed, and including facilities which are the technological successor to any existing or hereafter installed facilities); together with (a) the right of ingress and egress to and from the Easement Area, and (b) the right to grant, at Grantor's sole discretion, sub-easements, licenses and any other interests in the Easement Area with respect to the easement rights herein reserved, and to collect the rents, issues and profits therefrom, and from any existing contracts. In addition to and not in limitation of Grantor's rights under the foregoing reservation of easement, Grantees for themselves, their heirs and assigns, hereby covenants and agrees that Grantees shall not interfere in any manner with the rights of Grantor's Licensee under that certain License Agreement between Southern Pacific Transportation Company (predecessor in interest to Grantor) and Amoco Production Company dated May 19, 1979, identified in Grantor's records as Audit Number 188130, adopted by Blanket Adoption Agreement dated June 30, 1991, between Grantor and Apache Corporation, identified in Grantor's records as Audit Number S160036 and granting certain rights to said Licensee to use the Property for natural gas pipeline purposes; and

FURTHER EXCEPTING from this conveyance and FURTHER RESERVING unto Grantor, its successors and assigns, forever, all minerals and all mineral rights of every kind and character now known to exist or hereafter discovered underlying the Property, including without limiting the generality of the foregoing, oil and gas and rights thereto, together with the sole, exclusive and perpetual rights to explore for, remove and dispose of said minerals by any means or methods suitable to the Grantor, its successors

WARRANTY DEED (Page 3 of 4)

and assigns, but without entering upon or using the surface of the Property, and in such manner as not to damage the surface of the Property, or to interfere with the use thereof by the Grantees, their heirs and assigns.

Except as may be otherwise provided in a written assignment or other written agreement between Grantor and Grantees, Grantor reserves all income (including, without limitation, rentals, license fees and royalties from any existing license and other existing rights to use the Property and renewals thereof) granted by Grantor or Grantor's predecessors in interest. Grantees agree that if Grantees receive any such income, Grantees will promptly forward the income to Grantor.

TO HAVE AND TO HOLD the same, together with all rights and appurtenances to the same belonging unto said Grantees, their heirs and assigns, forever, without any warranty, express or implied, including, without limitation, any warranty or covenant implied under the provisions of Section 5.023 of the Texas Property Code, which provisions are hereby expressly waived by Grantees.

IN WITNESS WHEREOF, the Grantor has duly executed this instrument this 11th day of March, 2005.

Attest:

UNION PACIFIC RAILROAD COMPANY

C. J. Meyer
Assistant Secretary

By Tony K. Love
Title: GENERAL MANAGER-REAL ESTATE

(Seal)

Warranty Deed (Page 4 of 4)

ACKNOWLEDGMENT

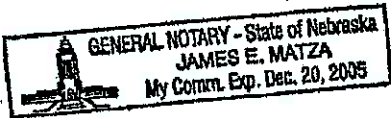
STATE OF NEBRASKA)
) ss.
COUNTY OF DOUGLAS)

On March 11, 2005, before me, a Notary Public in and for said County and State, personally appeared Tony K. Howe and C. Meyer who are the General Duesen-Real Estate and the Assistant Secretary, respectively, of Union Pacific Railroad Company, a Delaware corporation, and who are personally known to me (or proved to me on the basis of satisfactory evidence) to be the persons whose names are subscribed to in the within instrument, and acknowledged to me that they executed the same in their authorized capacities, and that by their signatures on the instrument the persons, or the entity upon behalf of which the persons acted, executed the instrument.

WITNESS my hand and official seal.

James E. Matza
Notary Public

(Seal)



Engagement Letter

Leonel Garza Jr. & Associates LLC Appraisal Services

1419 Dove, Suite 1 - McAllen, Texas 78504
(956) 687-7295 (24 hour answering service) Fax (956) 687-9236

December 12, 2008

Project: San Carlos Drainage Improvement Project
2 Acres (La Blanca "B", Block 200)

Fred Villarreal
4807 RITZ
Edinburg, TX 78539

To Whom It May Concern:

Leonel Garza Jr. & Associates LLC has been contracted by Hidalgo County Precinct 4, to appraise various properties within the community of San Carlos for the purpose of acquiring either land in fee simple or as an easement. This proposed acquisition is for the purpose of creating a master plan drainage system for the community of San Carlos. A survey of the property is currently underway and shall be provided within the coming weeks as this project progresses. This office shall be inspecting the subject property from existing road right-of-way until verbal or written permission from you is granted to enter the subject property. We would like to extend the opportunity to meet with our office at your site at a later date in order to explain the project and the purpose of the appraisal report requested by Hidalgo County Precinct No. 4.

The Hidalgo County Precinct 4 is interested in acquiring said property believed to be in the name of record indicated above. This is the beginning process for future negotiations to acquire the all or a portion of the subject property. If you or your representative wish to meet with us to discuss the purpose of the appraisal and join me for an on-site inspection of your land, I can be reached at (956) 687-7295. I will be researching the market area for any and all real estate sales, and would appreciate any leads or information in which you may have. If this letter does not pertain to you and you have sold said property, please notify our office as soon as possible so that the proper ownership identification can be preformed.

If you have any questions please call the office of Leonel Garza Jr. & Associates LLC at (956) 687-7295.

With this letter I request permission to perform an on-site inspection and photograph your property. If you have any objections to our inspection of your property please call the office of Leonel Garza Jr. and Associates LLC at (956) 687-7295. Thank you.

Sincerely,



Leonel Garza II
State Certified General
Real Estate Appraiser
TX1328375-General

Cc: Hidalgo County Precinct 4
J. Robert Kaufold
1102 North Doolittle Road
Edinburg, Texas 78539
(956) 383-3112

Leonel Garza Jr. & Associates LLC