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DSW 134082

SUMMARY OF RECOMMENDATIONS *AND* ADDITIONAL RESEARCH ON PROPERTY VALUES IN ANNISTON WEST SIDE -*Vs*- EAST SIDE

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I. Recommendations Taken From The Interim Report

a) Investigate the process that Prudential used to go after the community to determine if in fact they employed undue pressure, misrepresentation and fraud in order to gain an advantage.

b) Consider bringing Prudential into the suit. They have Deep Pockets and we may be able to make them think twice before using these tactics on another community.

c) Demand that EVERYONE be given the "Early Sign-Up Bonus" no matter when they signed up.

d) Get an agreement from Monsanto stating that they will pay for the development of a new Subdivision for our clients, their church and businesses.

e) All of our clients should have their properties re-appraised using a mix of comparables from both the East and the West sides of town. It would not be unusual for us to ask that comparables be taken only from neighborhoods that we all agree are in fact more comparable. This remedy could add between five and eight thousand dollars to each appraisal. It would also increase the 75% premium proportionally.

f) Appraisals for properties that generate income from rents should include the "Income Approach" to valuation. This approach takes a percentage of full occupancy (depending on rental history) and multiplies it by the effective life of the building. The resulting figure is the amount of income the owner could reasonably expect to receive from the property. Appraisers have chosen not to use the income approach because of "no data". All this means is that the data was not readily available on an existing database. The data can be generated and should be done so. In most cases, this will yield a much higher and more fair value for rental properties.

g) None of the appraisers have weighted the "Cost Approach", sometimes called the "Depreciated Reproduction Cost" in the determination of value. This is the cost to build a comparable home in a different area. In many cases this approach will yield a higher value. It will certainly yield a more fair value for families that intend to build new homes.

h) There are major discrepancies in how the various appraisers rate the neighborhood and individual properties and in many cases this has negatively affected value. There needs to be a mutually acceptably "neighborhood description" to be used by all appraisers.

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There also needs to be a mutually agreed rating for "condition" of the subject properties BEFORE they are appraised.[1] This should include no deductions for:

- functional obsolesce
- structural damage
- external depreciations
- deferred maintenance
- neighborhood decline
- vacant property rate
- lack of recent open market sales
- presence of hazardous materials
- home extensions and modifications that were made without a City permit
- floor plans not filed in the courthouse

This will avoid random deductions and depreciations that are unfair given the fact that owners have no real options regarding if and when to sell and the fact that the neighborhood has been in decline due to Monsanto's actions[2].

i) Some of our clients have partially completed renovations. One assumes that given the normal progression of time, that they would have finished those renovations. Because the pollution is forcing our clients to vacate they would be only throwing money away by completing renovations. The appraisal process or the compensation package must be altered so that value is given for the materials used and the sweat equity built in to incomplete renovations. A renovation or modification should be appraised as "complete" if it is more than 60% completed and habitable / functional.

j) We should have a tax attorney and a real estate attorney look carefully at the Program Booklet and the entire Contract For Sale to determine whether or not our clients have been disadvantaged by the process used or if Monsanto has been unduly advantaged.

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[1] The Hubbard Arraisals' neighborhood description used in the Odessa Reese appraisal approaches what would be an acceptable neighborhood description. Appraisals done by Karen Burke also approach the required fairness to the owners.

[2] Look specifically at the properties that received three appraisals. This only occurs when the first two appraisals are more than 10% apart and a third one is ordered. A comparison of the "high" and "low" appraisals reveals how very differently the various appraisers "view" and "judge" the neighborhood and home. There is too much "slack" in the appraisal parameters and process.

k) We need some kind of assurances that Monsanto will not make a profit on this land unless that profit is shared with our clients. Failing that there should be some kind of restraint put on future use of the land. If they want no restrictions, they should: pay an additional sum now (split the difference between current residential value and current industrial value); pay an additional amount later based on values at the time they choose to develop it. One way they could handle this compensation is to offer Monsanto Stock[3] to our clients either now or later. This would put some parity in the equation and make it more ethical and palatable for them to make a profit on this land.

a) Rent Loss Protection For Landlords

All owners of rental property should receive rent loss protection. This means that they should be reasonably compensated for a loss of rental income that resulted from the discovery of toxins in the neighborhood, the diminution of the community's reputation as a nice place to live or as a result of accepting the offer to sell the property to Monsanto. The compensation should continue for a reasonable time allowing them to purchase new rental properties and bring them to full occupancy. Landlords who do not wish to purchase a new rent house should be given a loss of business payment equal to their normal percentage of full occupancy multiplied by the effective life of the property. Landlords that lowered rents in order to keep their tenants should also be compensated.

b) Rent Differential Protection For Tenants

Tenants who are not able to find comparable rental homes in a comparable neighborhood should be given the difference in rent for a reasonable period of time, based on the length of time they have been renting in the community and a determination of their ability afford the higher rent. Other tenants will be faced with the prospect of having to pay first and last months rent in advance plus a security deposit. Where is that money supposed to come from?

Tenants should have the option to receive these payments in a lump sum upon production of a contract for sale on a home. Any renters that moved away because of health fears BEFORE they became eligible for the compensation package should be found and given the full renter's package.

This is a critical protection for poor or marginally employed tenants who are working to rise above the need for public assistance. One family renting in the community has been forced to move into public housing because they could not find a comparable single family home at a comparable rent. Another family has moved in with a grandmother because of the same factors. The lump sum payment option will allow some of these tenants to become first-time homeowners.

[3] Monsanto announced it's intention in October to sell it's Chemical Division. The Anniston Operation will most certainly be a part of that deal. Analysts say that it will be no "fire sale" and that Monsanto stands to turn a hefty profit at the time of sale.

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c) Compensation For Business Owners

Offers need to be made for the purchase of commercial properties. Supplemental offers need to be made for the purchase of the business and to offset loss of business.

If the business owner does not intend to re-establish the business in another location then their business related equipment should be purchased and they should receive a modest "loss of business" payment as well. There are standard formulas that commercial appraisers and business valuators can use to determine equipment costs and other normal compensation.

If the business owner intends to re-establish the business in another location then a more complicated formula will be used to determine the appropriate payments and compensation. Factors that should be considered include:

(1) Hard Costs

- cost to acquire an appropriate new location and modify it as required
- costs to move equipment and materials
- costs to install existing equipment or replace it if it cannot be moved or will not meet existing code
- costs to produce and distribute materials bearing the new address and phone numbers
- costs to advertise and promote the business in the new location
- costs to meet new standards, codes and requirements that did not exist at the time that the business was originally established or which did not apply in the former location

(2) Soft Costs

- compensation for business loss from the time that Monsanto's actions began to affect the business negatively payable until the new business is adequately established elsewhere and producing comparable business results
- compensation for loss of "good will" which will be significant if the business' primary customer base was drawn from the immediate community payable until a similar level of "good will" and customer traffic can be established in the new location.

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II. Summary Of Additional Research

A: Residential Property Values East Side -*Vs* - West Side

Table 1: Average Asking Prices Of Currently Available Homes[4]

WEST SIDE		EAST SIDE		
Home Size	Average Asking Price	Home Size	Average Asking Price	DELTA
2br / 1 bath	$23,968	2br / 1bath	$36,090	51%
3br / 1 bath	$26,387	3br / 1 bath	$44,283	68%

Table 2: Average Sales Price Of Recently Sold Homes[5]

WEST SIDE		EAST SIDE		
Home Size	Average Sales Price	Home Size	Average Sales Price	DELTA
2br / 1 bath	$16,022	2br / 1bath	$31,045	94%
3br / 1 bath	$24,908	3br / 1 bath	$35,822	44%

[4] Based on research conducted on 1/15/97 by Chuck Ward at Billy Isom Realty, Inc. Better Homes & Gardens Affiliate

[5] Based On Research conducted on 1/23/97 by Lee Jackson at Gold Star Realty Anniston

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Summary Of Additional Research

B: Value Difference Residential to Commercial Property West Anniston

There is some disagreement among those who conducted the research to determine the degree that the purchased land would appreciate in value once it was owned by Monsanto.

Chuck Ward reported that East Anniston and Oxford are the current "hot" areas for the development of commercial / industrial developments. Because of this the demand for commercial / industrial land in West Anniston was low and therefore, residential land converted to commercial / industrial would produce a minimal increase in value.

The two other Realtors felt that this was not necessarily the case. The value of commercial / industrial land is greatly influenced by how badly the buyer wants the land - no matter where it is located. Also, when a commercial / industrial entity seeks to annex land adjacent to existing facilities the price usually comes with a premium because the seller knows that the buyer is not just interested in more land - he is interested in THIS land.

To determine specific increased value, I would have to do research in Anniston. I would need to comb the Calhoun County Tax records to find residential parcels that were purchased by adjacent businesses and then compare those sales prices with residential sales in the same area. Lee Jackson provided me with listings of currently for sale commercial / industrial properties in West Anniston. If we are lucky, Cassandra could find these properties and see if any of them meet the criteria we need to establish the value difference. I am enclosing a copy of those listings (3 pages).

GOLD STAR REALTY

1997/01/23 10:47:32.02 Thursday

Commercial/Industrial Listing Summary

ST CS PresentUse	Address Area	List Off Sell Off	List Price Sell Price	ListDate SellDate	MLS#
ACT ... 709 VACANT	QUINTARD AVENUE ANNISTON-EAST	RE/MAX G	$79,000	10/31/96	96002378
ACT ... 6 VACANT	COLEMAN ROAD ANNISTON-EAST	C21 DIAM	$79,900	11/20/96	96002367
SOL ... 2701 CHURCH	MOORE AVENUE ANNISTON-WEST	RE/MAX G TWILLEY	$145,000 $100,000	05/03/95 12/12/95	96002340
ACT ... 729 SO VACANT	CHRISTINE ANNISTON-EAST	RE/MAX G	$70,000	11/20/96	96002321
ACT ... 310 E PROF SERV	16TH STREET ANNISTON-EAST	KIMBERLY	$98,000	12/10/96	96002312
ACT ... 1524 beautyshop	Wilmer ANNISTON-EAST	King	$102,000	11/15/96	96002278
ACT ... 1825 office	Noble St. ANNISTON-EAST	BILLY IS	$85,000	11/13/96	96002254
ACT ...	GREENBRIAR ROAD (LOT) GOLDEN SPRINGS	TWILLEY	$135,000	11/01/96	96002219
ACT ... 219 S N/A	QUINTARD AVE ANNISTON-EAST	C21 DIAM	$125,000	10/31/96	96002209
ACT ... 2716	NOBLE STREET ANNISTON-WEST	KING	$45,000	08/20/96	96002148
ACT ... 218 W auto repai	11th street ANNISTON-WEST	O'LINGER	$138,000	11/24/96	96002136
ACT ... 321 TENANT	323 A&B LEIGHTON AVE ANNISTON-EAST	RE/MAX G	$125,000	09/17/96	96001968
ACT ... UNIMPR LND	COLEMAN RD ANNISTON-EAST	BILLY IS	$175,000	09/03/96	96001396
ACT ... 1204	FRONT ST ANNISTON-EAST	KING	$125,000	07/29/96	96001787
ACT ... 729	CHRISTINE AVE ANNISTON-EAST	RE/MAX G	$80,000	08/06/96	96001779
ACT ... 3100	3107 NOBLE ST ANNISTON-EAST	TWILLEY	$165,000	07/26/96	96001752
EXP EXP 1834 RETAIL	Parkwood ANNISTON-WEST	HOME	$59,900	07/11/96	96001632
EXP ... 107 VACANT	7TH STREET ANNISTON-EAST	O'LINGER	$32,500	02/01/96	96001177
WIT ... BAKERY	MCCLELLAN BLVD ANNISTON-EAST	RE/MAX G	$62,500	04/11/96	96000509
ACT ... 214 W	16TH STREET	KIMBERLY	$750,000	05/15/96	96000471

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GOLD STAR REALTY

VACANT		ANNISTON-WEST				
EXP ...	2725	Paul St.	C21 AAA	$19,500	07/29/96	96000304
RESIDENTIA		ANNISTON-WEST				
ACT ...	9989	Hwy. 78E	service	$29,900	01/24/96	96000226
LEED TIRES		ANNISTON-EAST				
SOL ...	6209	McCLELLAN BLVD	SERVICE	$15,000	12/04/95	96000034
VACANT		ANNISTON-EAST	service	$15,000	02/28/96	
SOL ...	904 W.	10TH ST.	C21 DIAM	$24,500	12/07/95	95001805
vacant		ANNISTON-WEST	C21 DIAM	$24,000	07/19/96	
EXP EXP	102 S.	LEIGHTON	HARRIS M	$29,900	12/01/95	95001786
		ANNISTON-EAST				
EXP ...	704 E	9TH ST	HARRIS M	$70,000	10/25/95	95001643
		ANNISTON-EAST				
SOL ...	211	S QUINTARD LOT 1	KING	$30,000	10/01/95	95001639
		ANNISTON-EAST	KING	$30,000	10/17/95	
SOL ...	7844	OLD JACKSONVILLE RD	BILLY IS	$32,000	10/01/95	95001627
RENTAL		ANNISTON-WEST	BILLY IS	$32,000	10/23/95	
EXP ...	2108	NOBLE STREET	KIMBERLY	$62,000	09/09/95	95001501
[illegible]		[illegible]				
LEA ...	117 E	19TH STREET	C21 AAA	$65,000	09/11/95	95001442
OFFICE BLD		ANNISTON-EAST				
SOL ...	2328	NOBLE ST MPGD 1588632	RE/MAX G	$25,000	08/11/95	95001271
VACANT		ANNISTON-EAST	RE/MAX G	$16,500	02/22/96	
SOL ...	1929	McKleroy Ave	service	$14,900	06/20/95	95001010
beautyshop		ANNISTON-WEST	service	$12,500	10/02/95	
LEA ...	214 E	20TH STREET	TWILLEY	$47,500	06/21/95	95000992
		ANNISTON-EAST				
ACT ...	1630	NOBLE ST.	SOUTHLAN	$140,000	05/17/95	95000777
GARAGE		ANNISTON-WEST				
SOL ...	314 E	12TH STREET	ANNISTON	$55,000	03/23/95	95000650
		ANNISTON-EAST	ANNISTON	$55,000	04/25/95	
SOL ...	20	Christine Ave	C21 aaa	$69,900	03/30/95	95000544
CHURCH		ANNISTON-EAST	C21 DIAM	$55,000	12/16/95	
EXP ...	308	CHOCCOLOCCO STREET	TWILLEY	$124,900	04/01/95	95000526
		ANNISTON-EAST				
REN ...	310 E	14TH STREET	KIMBERLY	$95,000	03/21/95	95000463
		ANNISTON-EAST				
SOL ...	924	GLENADDIE	RE/MAX G	$75,000	02/23/95	95000347
BODY SHOP		ANNISTON-WEST	RE/MAX G	$55,000	01/03/96	
SOL ...	211	S. QUINTARD AVE 2&3	KING	$132,500	02/09/95	95000279
OFFICES		ANNISTON-EAST	King	$115,200	04/12/96	
SOL ...	216 E	15TH STREET	RE/MAX G	$52,500	01/24/95	95000144
		ANNISTON-EAST	ANNISTON	$50,000	04/10/95	
EXP	1517	QUINTARD AVE	HARRIS M	[illegible]	[illegible]	[illegible]

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STORAGE		ANNISTON-EAST				
EXP ...	N. HY 21		REAL EST	$29,500	10/25/94	94001676
UNDEV.		ANNISTON-EAST				
STO ...	912	NOBLE STREET	HOME	$44,000	01/31/94	94001622
		ANNISTON-EAST	HOME	$44,000	02/24/94	
BDG ...	929 S	NOBLE STREET	ANNISTON	$193,000	09/16/94	94001394
STORAGE		ANNISTON-EAST		$165,000	03/01/95	
BUS ...	1111	WILLIAMS ST	RE/MAX G	$25,300	04/25/94	94000564
CARD SHOP		ANNISTON-EAST	RE/MAX G	$19,000	05/25/95	
EXP ...	2204	NOBLE HPSD 1583632	RE/MAX G	$162,000	04/25/94	94000536
LAUNDROMAT		ANNISTON-WEST				
AUT ...	1026	QUINTARD AVE	RE/MAX G	$350,000	02/16/94	94000351
CHURCH		ANNISTON-EAST				

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