

**The GOAL, of this report**  
an appraisal/valuation of the subject(s) UNIT of merchandise inventory:

The governing LAW:

PTC Section 23.12(a): "... the market value of an inventory is the price for which it would sell as a UNIT to a purchaser who would continue the business. ..." (emphasis added)

What this PTC section means, has been well interpreted (each clause) by the common law precedent<sup>7</sup>

The methodology, or how to determine what a "purchaser" would pay, creates a hypothetical.

The PTC regarding the methodology required is set by each sentence of PTC **§23.01(b)**.

The SCOTUS established long ago, in 1894, that the target of any methodology is to determine the profitability of the subject property (the UNIT) to any potential purchaser (the Buyer).

According to GAAM&T, fundamentally determining market value is based on providing sufficient factual evidence to establish the "pattern of demand" of the marketplace, then applying that pattern to the subject property, *i.e.*, MASS Appraisal.<sup>8</sup> **This pattern is clearly demonstrated on p. 111 & 112 *infra*.**

The way in which property is used plays an essential role in its value. Chapter 3 describes the economic basis for this **by demonstrating that the demand for resources depends on the pattern of demand for the final consumer goods [*i.e.*, is it profitable to hold?]**. There is a legal basis for this principle that incorporates many of the same economic notions. In 1894, the United States Supreme Court stated: (emphasis added)

The value of property results from the use to which it is put **and varies with the profitableness of the use, present and prospective, actual and anticipated**. There is no pecuniary value outside of that which results from such use.<sup>9</sup> (emphasis added)

Reiterated by Texas State Appellate Precedent:

On the date of assessment, the hypothetical<sup>10</sup> Purchaser is:

interested primarily in the **financial benefit** that the retail sale of the inventory will bring in the future. The standard definition of value applied to income-producing property is the **present worth of future benefits** expected to be derived from ownership: "Because value is created by the **expectation of benefits** to be derived in the future, value may be defined as the present worth of all rights to these future benefits."<sup>11</sup> (emphasis added)

Therefore, the remainder of this report aims to establish the **profitability** potential of the subject property (the UNIT of merchandise inventory). This, in turn, demonstrates the most probable price<sup>12</sup> a purchaser would pay for the entire UNIT.

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<sup>7</sup> See: Definition of the Appropriate Value in the Appraisal Process on p. 38 *infra*

<sup>8</sup> See: USPAP Definition: **MASS APPRAISAL**: "the process of valuing a universe of properties as of a given date using standard methodology, employing common data, and allowing for **statistical testing**." USPAP p. 5.

Throughout this report whenever the term "mass" is use in reference to an Appraisal it is a general use of the term as defined by USPAP as this report utilizes common data expressing the supply and demand factors (*i.e.*, the GMROI analysis) of the market:

See *also*: USPAP Definition: **MASS APPRAISAL MODEL**: "a mathematical expression of how supply and demand factors interact in a market." 2020-21USPAP p. 5

<sup>9</sup> See: PAAA at p. 80 (emphasis added) (quoting *Cleveland, Cincinnati, Chi. & St. Luis Ry. v. Backus*, 154 U.S. 439, 445 (1894)).

<sup>10</sup> See: take note of the "**would**" clauses in, **PTC §23.12 INVENTORY**. "(a) ... the market value of an inventory is the price for which it **would** sell as a unit to a purchaser who **would** continue the business. ..." (emphasis added), See *also*: TAB6, p. 22,

See *also*: Laws on Appraised Value: on page 44 *infra*

<sup>11</sup> See: *Travis CAD, v. FM Properties Operating Co.*; 947 S.W.2d 724, 734 (Tex. App. - Austin 1997) [Copy of case provided; DVD folder "Wkng Reference DVD"; sub-folder: "Court Cases"; sub-folder: "Court Precedent"; file: "Travis CAD v FM Properties.pdf"; See *also*: TAB2]

<sup>12</sup> See: "Market value \*is the most probable price, not the highest, lowest, or average price." PAAA p. 80

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2 **Transmittal letter**

3 April 2, 2023

4  
5  
6 The following is a MASS Appraisal/Valuation<sup>13</sup> report to communicate an opinion of value and can also be  
7 viewed as a FEE Appraisal/Valuation<sup>14</sup> based on the specificity of available data as it relates to the  
8 personal property, merchandise inventory, held for re-sale by the Conn's, DSG, FAMSA & Stacys,  
9 furniture/appliance/electronic Retailer(s) at Various location(s) in Gregg & Collin County more specifically  
10 identified herein. For reference see: **Table 3: Legal Description and Tax Year** on p. 30. *infra*

11  
12 The legally taxable tangible personal property is valued in fee simple<sup>15</sup> as though free and clear of liens  
13 and encumbrances. This Appraisal/Valuation is for the purpose of demonstrating the market value of the  
14 UNIT of personal property known as the merchandise inventory of Conn's, DSG, FAMSA & Stacys.

15  
16 In accordance with the Federal Precedent, Tex. Const., PTC, Texas Court Precedent, and GAAM&T, the  
17 complete definition of market value for a UNIT of Retail Inventory (used in this report) is as follows:

18  
19 Market value is the most probable wholesale, cash or cash equivalent, sale price for the taxable  
20 tangible elements of an entire UNIT of Inventory expressed in terms of money, payable in one  
21 lump sum, hypothetically estimated according to the PTC, and being that price the inventory  
22 would bring if exposed for sale in the open market in an arm's-length transaction between one  
23 who desires, but is not obliged, to sell and which is bought by one who is under no necessity of  
24 buying it, both of whom are knowledgeable concerning all the enforceable restrictions and retail  
25 uses (retail sales, rent or lease) to which the property is adapted and for which it is capable of  
26 being used; one Retailer selling at wholesale to another Retailer, whereby the "most probable  
27 price" should primarily be determined with the buyer's perspective on future potential profitability  
28 of the purchased inventory, when the buyer's use would be to continue the business of re-selling  
29 the inventory piece-meal at Retail.<sup>16</sup>  
30

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<sup>13</sup> See: Definition: **VALUATION SERVICES: "services pertaining to aspects of property value. Comment:** Valuation services pertain to all aspects of property value and include services performed both by appraisers and by others." USPAP p. 5.

See also: This report provides Valuation Services from an Appraiser and the Author's role is that of the property owner's testifying expert, prior to this appeal the Author was the property owner's tax consultant (for the subject tax year) - thus this prior role may stand as a Jurisdictional Exception to USPAP's "appraisal" standards.

Note: see also: PTC **Sec 1.111**. "representation" is akin to "advocacy" therefore the Tax Agent's role is a, Jurisdictional Exception in Texas. Note also, the property owner(s) has/have contracted an Attorney (for appeals via litigation) to be their advocate for this process, thus the former Tax Agent transitions to expert witness only, and is paid a flat fee by the attorney irrespective of outcome or determination of value.

<sup>14</sup> See: **Fee Appraisal:** Appraisal of properties one at a time for pay.  
Glossary for Property Appraisal and Assessment, IAAO 1997, Library of Congress# 97-72331

Note: CADs tend to always conduct MASS appraisals (a practical reality due to a large number of parcels/types of property in an Appraisal District), FEE Appraisals are for an individual property, REAL or PERSONAL, and tend to be one property at a time (commonly used for Banks, loan institutions or loan guarantors (FHA, Fannie Mae, VA, etc.)). For our purposes the FEE Appraisal process is preferred and required by LAW (PTC **§23.01(b)** last sentence), therefore, MASS is legitimate only when there is a lack of subject property specific data availability, individual characteristics. In short specific data trumps general data.

See also: (the *However clause*): PTC **§23.01(b)** last sentence: "However, each property shall be appraised based upon the individual characteristics that affect the property's market value, and all available evidence that is specific to the value of the property shall be taken into account in determining the property's market value."

<sup>15</sup> See: **Fee Simple:** "Fee simple. In land [in this case, or Business Personal Property (BPP)] ownership, complete interest in a property, subject only to governmental powers such as eminent domain."  
Glossary for Property Appraisal and Assessment, IAAO 1997, Library of Congress# 97-72331

See also: "fee simple absolute." PAAA p. 644

Copy of p. 644 provided; DVD folder "Wkng Reference DVD"; sub-folder "IAAO docs"; file: "PAAA citations HgLt.pdf"

<sup>16</sup> See: **Definition of the Appropriate Value in the Appraisal Process** on p. 38 *infra*

1 The opinion of value of the property(ies) in controversy, as of assessment date is summarized on

2  
3 **Table 1: Conclusion of Inventory** Sought Value, on p. 3 *infra*, and **Table 2: Conclusion of Total**  
4 **Sought Value**, on p. 9 *infra*

5  
6 The body of this report without additional references contains 141 main body pages and 13 prefix pages.

7  
8 Sincerely,



9 Robert X. Johnson, SPTC #10365 & PPS<sup>17</sup>

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<sup>17</sup> See: Primary Author's (Robert X. Johnson, PPS) Qualifications, on p. vii *infra* – bases of experience-based assertions,

See also: "The appraiser/assessor's experience and judgment should inform their decision of whether to use a standard schedule, develop a new schedule, or apply an alternate method of calculating depreciation."  
*IAAO Standard on Valuation of Personal Property*, p. 9

Copy provided; DVD folder "Wkng Reference DVD"; sub-folder "IAAO docs"; file: "IAAO StndVal PP 2018.pdf"

See also: **TRE Rule 702. Testimony by Expert Witnesses** A witness who is qualified as an expert by knowledge, skill, experience, training, or education may testify in the form of an opinion or otherwise if the expert's scientific, technical, or other specialized knowledge will help the trier of fact to understand the evidence or to determine a fact in issue.

See also: **TRE Rule 703. Bases of an Expert's Opinion Testimony** An expert may base an opinion on facts or data in the case that the expert has been made aware of, reviewed, or personally observed. If experts in the particular field would reasonably rely on those kinds of facts or data in forming an opinion on the subject, they need not be admissible for the opinion to be admitted.

See also: IRS Regulation: **Opinions of Experts** on p. 26 *infra*

# Primary Author's (Robert X. Johnson, PPS) Qualifications<sup>18</sup>

## Curriculum Vitae of Testifying Expert

I, Robert X. Johnson, am the primary author of this report and the following briefly lists my qualifications to offer an opinion of value concerning the subject property and an opinion concerning Appraisal/Valuation methods and techniques.<sup>19</sup>

I have 21 years of personal experience (1984–2005) as the hands-on owner and operator of retail furniture stores (Tacit knowledge). During those years, I bought and sold millions of dollars' worth of inventory, including arranging domestic or overseas freight, letters of credit, etc. As an owner-operator, I personally set up and maintained the computerized inventory tracking and company accounting systems. I have gained, through experience, a competent general understanding of any retail operation and have specific expertise in every aspect of the retail furniture business. It is this industry-specific experience and knowledge that lays the foundations of my testimony and reports.

Since 2005, I have been researching the Texas Property Tax system (including precedents), and Appraisal methods, and gathering evidence to support my experience-based value opinions. This research has led to the discovery of many errors in materials published for ad valorem tax appraisers and errors in long-standing ad valorem Appraisal/Valuation practices, as they relate to appraising retail inventory.

Every industry has knowledge and jargon common to itself, and this knowledge and jargon is often foreign and difficult to explain to those outside the industry. Therefore, the necessity of translating the retail industry's common knowledge on value characteristics<sup>20</sup> into Appraisal/Valuation terminology and form of presentation prompted me to acquire formal education concerning the UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE (USPAP), GENERALLY ACCEPTED APPRAISAL METHODS & TECHNIQUES (GAAM&T), GENERALLY ACCEPTED ACCOUNTING PRACTICES (GAAP), the TEXAS PROPERTY TAX CODE (PTC) and other pertinent laws, regulations, and references (PRECEDENTS). On Feb. 10, 2009, after completing rigorous educational requirements, the Executive Board of IAAO certified me as the 23<sup>rd</sup> person (worldwide) to achieve the IAAO designation of "PERSONAL PROPERTY SPECIALIST" (PPS).<sup>21</sup> I am also a Registered<sup>22</sup> SENIOR PROPERTY TAX CONSULTANT (SPTC), a Licensed REAL ESTATE AGENT (Inactive) and a PROFESSIONAL REGISTERED PARLIAMENTARIAN (Retired (PRPR))(formerly the State Parliamentarian for the Texas Republican Party).

NOTE: IAAO's PPS appraiser certification demonstrates my qualifications in the use and understanding of Appraisal methods and techniques. However, this Valuation is not an Appraisal as in a process of discovery; it is the articulation of the author's knowledge gained through experience. My role in this case is that of the property owner's expert witness, as I was their "*property tax consultant*"<sup>23</sup> during the administrative appeal process, retained by the property owner's attorney during litigation. This expert testimony and Appraisal/Valuation report provides a market value opinion using supporting facts and evidence<sup>24</sup> presented in a report form consistent with the requirements of USPAP. The PPS certification also augments my professional qualification to review<sup>25</sup> the Appraisal work of peer appraisers and to offer an opinion concerning the quality of another appraiser's methodology, analysis, and conclusions. When a Tax Consultant who "*represents*" the property owner utilizes USPAP to provide an opinion of value or

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<sup>18</sup> See: 2020-21 USPAP PREAMBLE: The COMPETENCY RULE presents pre-assignment and assignment conditions for knowledge and experience. p. 1, In 16.

<sup>19</sup> See: DAUBERT-ROBINSON Test for expert testimony. See: O'Connor's Texas Rules \* Civil Trials (2013) pp. 410-18

Copy provided: DVD folder "Wkng Reference DVD"; sub-folder "misc docs" file: "O'Connor 410-418 2013.pdf"

<sup>20</sup> See: FN2 - PTC §23.01(b) required methodology. Required Appraisal Methodology, on p. 12 ; see also: TAB6, p. 3-14 & USPAP Std Rule 7-2(e) (iii),

<sup>21</sup> Copy provided: DVD folder "Wkng Reference DVD"; sub-folder "IAAO Docs"; file: "PPS Certificate.pdf"

<sup>22</sup> See: Registered with the **TEXAS DEPARTMENT OF LICENSING AND REGISTRATION (TDLR)** registration number 10365.

<sup>23</sup> USPAP "Valuation Services (large-shaded oval): When providing valuation services, the obligation for an individual recognized in some circumstances as an appraiser is not to misrepresent his or her role." USPAP Advisory Opinion 21, p. 111

<sup>24</sup> See: FN17 – experience-based assertion

<sup>25</sup> See: USPAP Standard Rule No. 3 APPRAISAL REVIEW, DEVELOPMENT AND REPORTING

1 review the work of others, a Jurisdictional Exception<sup>26</sup> is invoked, in that Texas Law provides for property  
2 owner representation throughout the administrative appeal process.  
3

4 Through my industry experience, education, and research of the Texas property tax system, formal  
5 Appraisal education, and my ongoing efforts to find and correct errors in the Appraisal publication and  
6 practices, I have become qualified as both a testifying and a consulting expert as related to the  
7 Appraisal/Valuation of retail store inventories, especially retail furniture store inventories.  
8

9 *Of the three ways in which men think that they acquire knowledge of things—authority, reasoning,*  
10 *and **experience**—only the last is effective and able to bring peace to the intellect.*<sup>27</sup> (emphasis  
11 added)  
12

13 The original iteration of this model/report had all citation of law or precedent reviewed for contextual  
14 applicability by Attorney Terry L. George (now deceased)  
15

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<sup>26</sup> See: USPAP's Ethics Rules normally would not permit a property owner's advocate/representative, paid on contingency, to also offer opinions of value, therefore since Texas Law (PTC §1.111) creates this type of representation, thus the Jurisdictional Exception.

<sup>27</sup> See: Roger Bacon, 1214-1294, English alchemist, astrologer, philosopher and a major progenitor of modern science. Quoted from: [http://en.wikipedia.org/wiki/Propositional\\_knowledge](http://en.wikipedia.org/wiki/Propositional_knowledge) [Copy provided: DVD folder "Wkng Reference DVD"; sub-folder "Definitions"; file: "propositional knowledge.docx"].

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## Report Summary

In short, the market value of a retail store's (or warehouse serving it) inventory, for purposes of Texas property tax Appraisal/Valuation, is the price for which it would sell as a UNIT to a purchaser who would continue the business (PTC §23.12(a)), *i.e.*, to a purchaser who would continue in the business of retailing.

Appraisal/Valuation principles and common law (precedent) indicate that any buyer of an entire UNIT of Inventory would be primarily interested in the future profits of his investment. Therefore, to answer the *price* question, one must measure the past profit performance of a comparative universe (MASS appraisal) of other retailers (*i.e.*, determine the market's pattern of demand) then base the hypothetical *price* offer on the projected profit expectations of the typical UNIT of Inventory and extrapolate this conclusion onto the property in question. The same data justifies the seller's asking *price*.

In the computerized inventory management world, buying decisions are made every day by every type of retailer, and the data analysis tool relied on is typically some form of RETURN ON INVESTMENT (ROI) calculation. The retail industry commonly relies on the calculation of **GROSS MARGIN RETURN ON INVENTORY INVESTMENT (GMROII)**, which is simply a variation of the turnover ratio, to measure profitability performance. The GMROII formula is simple: one year's worth of Gross Margin produced by any particular item-code divided by the average yearly investment in that item-code. The resulting ratio indicates the amount of annual gross profit produced by the annual investment made.

What makes this report unique is the unprecedented access to this type of data because several retail property owners provided their inventory databases over multiple years. By using this detailed underlying factual data the same way buyers use it in their everyday business (*i.e.*, the market place), valid reliable conclusions can be made. Generally, the evidence and conclusion in this report establish a MASS Appraisal/Valuation baseline that a typical UNIT of Inventory held by any retailer will have a probable selling *price* of approximately 50% of its original cost (book value). Arriving at specifically higher (>50%) or lower (<50%) conclusions would require specific evidence to justify (FEE appraisal). Many reasons go into this conclusion, and GMROII performance, to a great extent, measures them all.

When the question is posed correctly, such a conclusion is common knowledge in the retail industry and among banks that lend to retailers. Additionally, the well-established economic principle known as the 80/20 rule predicts this conclusion, in that typically around twenty percent (or some minor fraction) of what you have is vital and productive, while eighty percent (the remaining fraction) is languishing and not producing sufficient profits to justify the continued investment. This too is common sense in that the fast-selling items are generally out of stock or low in stock while the slow selling items are languishing on the showroom floors and in the warehouses accumulating with other slow selling stock. Therefore, at the end of the year, right after Christmas (If January 1<sup>st</sup> assessment date is used), a typical retail store/warehouse will be short on the good stock and overloaded with dead merchandise; thus, a UNIT of Inventory is mostly made up of the non-profitable leftover stock. Any knowledgeable buyer knows this and would only offer to pay reduced amounts for this economically obsolete inventory, resulting in a *price* offer reflective of anticipated future profitability, *i.e.*, market value for the inventory as a UNIT under Texas LAW.

Because this conclusion would not be obvious to those outside the retail industry, this report makes every effort to support the conclusions by meticulous adherence to the UNIFORMED STANDARDS OF PROFESSIONAL APPRAISAL PRACTICES (USPAP) and the report writing guidelines of the INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS (IAAO).

This is important because adherence to the guidance of the USPAP and IAAO aids in answering various concerns (including the role that accounting standards (GAAP) or IRS rules play) and lays the predicate for the conclusion of value. However, these issues can also be distracting from the flow of data and thought supporting the ultimate Appraisal/Valuation conclusions herein. It is assumed that the party opponent CAD and those making the value determination, *i.e.*, the Courts (Jury or Judge) or Arbitrator are familiar with the underlying laws, precedents, and methodologies required. Therefore, these sections are placed after the conclusion as points of reference, thus placing the heart of this analysis up front.

## Final Determination of Market Value<sup>28</sup>

"Market value \*is the most probable price, not the highest, lowest, or average price." <sup>29</sup>

In violation of all known GAAM&T requirements<sup>30</sup>, This CAD makes no attempt to conduct an actual legally developed appraisal<sup>31</sup>, simply Noticing (Sending notice of the CAD's established guess) their Conclusion, equating their estimate of HCN (perhaps some minor discount) to Market Value, skipping the entire appraisal process<sup>32</sup> altogether. To advocate this reasoning the CAD is making the absurd assumption that ALL items in the UNIT are equally profitable and no depreciation (or very little) of any kind exist.<sup>33</sup> In contrast, this appraisal/valuation attempts to innovatively apply all possible approaches that can be found and/or a variation of them.<sup>34</sup> To reach a properly developed conclusion.

<sup>28</sup> See: Std. Rule 8-2(a)(xii) "when, in compliance with Standards Rule 7-3, an opinion of the appropriate market or market level was developed by the appraiser, state that opinion and summarize the support and rationale for that opinion" USPAP p. 48.

<sup>29</sup> See: FN12 – most probable price

<sup>30</sup> See: Std Rule 8-2(a)(x) "provide sufficient information to indicate that the appraiser complied with the requirements of STANDARD 7 by: (1) summarizing the appraisal methods or techniques employed; (2) stating the reasons for excluding the sales comparison, cost, or income approach(es) if any have not been developed" USPAP p. 47.

See also: USPAP **Scope of Work Acceptability**: "An appraiser must be prepared to support the decision to exclude any investigation, information, method, or technique that would appear relevant to the client, another intended user, or the appraiser's peers" USPAP p. 14, Ln. 390-91

<sup>31</sup> See: **Review of CAD** on p. 15 *infra* & Peer Reviewed by CADs/ARBs/Arbitrators/Courts on p. 18 *infra*

<sup>32</sup> "The Appraisal process is a systematic, logical method of collecting, analyzing, and processing data into intelligent, well-reasoned value estimates.", '10PAV p. 63.

<sup>33</sup> See: **Mathematical Validation of the Bar Charts** on p. 113 *infra*

<sup>34</sup> See: IAAO's "Mission Statement: The *mission* of IAAO is to promote **innovation** and excellence in property Appraisal assessment administration, and property tax policy through professional development, education, research, and technical assistance."  
<http://www.iaao.org/about/index.cfm>

See also: "The three usual approaches for determining market value, i.e., the comparable sales, cost, and income approaches, are not to be thought of as being mutually exclusive. **A blending of approaches is proper** if the method used produces relevant and reliable evidence of market value. The trial court therefore did not err by blending the income and comparable sales approaches, so long as the Appraisal method as a whole constituted relevant and reliable evidence of market value." (*Emphasis added*) Houston R.E. Income Properties XV, Ltd. v. Waller County Appraisal District, 123 S.W.3d 859 (Tex. App.-Houston [1st Dist.] 2003, no pet. h.).

See also: "However, there can be particular types of property where standard depreciation schedules may not apply and an accurate depreciation estimate can only be made by using **an alternate method**. ... The appraiser/assessor's experience and judgment should inform their decision of whether to use a standard schedule, develop a new schedule, or apply an alternate method of calculating depreciation." IAAO's 2018 STANDARD ON VALUATION OF PERSONAL PROPERTY 7.2.1 Cost Approach (last paragraph) p. 9

See also: FN41 - The Cost Approach

See also: "It is well settled that the **three** usual approaches to determining market value are the comparable **sales, cost, and the income** methods. *Religious of the Sacred Heart v. City of Houston*, 836 S.W.2d 606, 615-17 & n. 14 (Tex.1992).[Page 862] Although these are the three usual approaches to determining market value, **they are not necessarily the exclusive methods** by which market value may be determined. See *Sharboneau*, 48 S.W.3d at 186" Houston R.E. Income Properties XV, Ltd. v. Waller County Appraisal Dist. (App. 1 Dis. 2003) 123 S.W.3d 859.

See also: "Texas courts have recognized three general approaches to determining market value: (1) the market data (or comparable sales) approach; (2) the cost approach; and (3) the income (or income-capitalization) approach. See: *Religious of the Sacred Heart v. City of Houston*, 836 S.W.2d 606, 615-16 (Tex.1992); *Polk County v. Tenneco, Inc.*, 554 S.W.2d 918, 921 (Tex.1977). **In addition, when circumstances dictate, the Texas Supreme Court has not hesitated to recognize alternative methods of valuation.** See: *Missouri-Kansas-Texas R.R. v. City of Dallas*, 623 S.W.2d 296, 299-301 (Tex.1981). These approaches are not different definitions of market value; they are simply different ways of arriving at an estimate of what a willing buyer would pay a willing seller." *Travis CAD, v. Fm Properties Operating Co.*; 947 S.W.2d 724, 731 (Tex. App. - Austin 1997) See also: FN42 - willing buyers

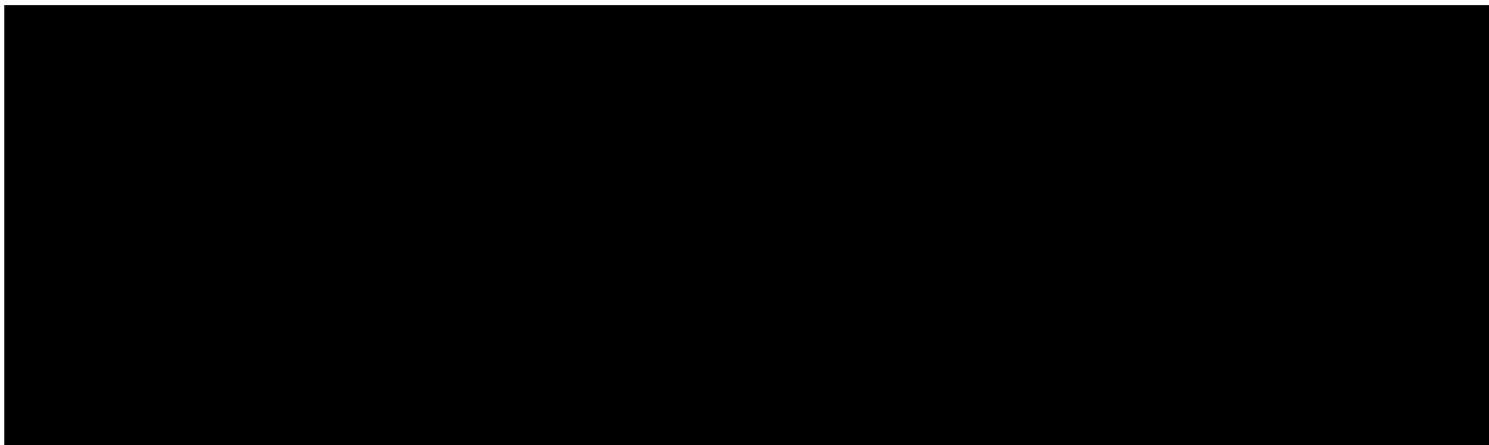
See also: Precedent on acceptability of approach variation: "The development [**in our case GMROI**] approach can be viewed as **merely a variation of the income approach to valuation**.FN4 The supreme court has stated that the income approach to valuation "proceeds on the premise that a buyer of income-producing property is primarily interested in the income which his property will generate." *Polk County*, 554 S.W.2d at 921. See generally Goff, 15 Tex. Tech L. Rev. at 648-52. **Since inventory is, by definition, the goods on hand being sold in the regular course of a business, any purchaser of a business's entire inventory will naturally be interested primarily in the income that the later retail sale of the inventory will generate.**" *Id.* 730

The Rendered Good Faith Estimate (GFE) of Market Value of the UNIT of Inventory followed this formula=  
 $((100\% \text{HCN}_{\text{total}} - 100\% \text{HCN}_{\text{sold}} - 100\% \text{HCN}_{\text{dmg.}}) \times \sim 50\% \text{to remaining BASE}) + (100\% \text{HCN}_{\text{dmg.}} \times 5\%)$ , however this is a MASS appraisal's conclusion, this report aims to confirm this or provide additional data to fine tune and confirm via a FEE appraisal/valuation to the extent additional data is available.

On the date of Appraisal/Valuation (the Assessment date<sup>35</sup>) and for this report, the class of property is a UNIT of merchandise inventory held for use in the production of income by retail sale, lease, or rental.<sup>36</sup> The opinion of value is the most probable price<sup>37</sup> a wholesale buyer (a Retailer) would pay for the entire UNIT of Inventory in one lump sum whose intended use would be to continue to hold the UNIT of Inventory for the production of income<sup>38</sup> by retail sale, lease, or rental<sup>39</sup>.

The following report provides both the FEE & MASS Appraisal/Valuation and reconciliation (table below) of the available data, and various indicators of value of a UNIT of Inventory, or perhaps this report can be considered a more detailed MASS appraisal/valuation, depending on the level of data detail utilized.

#### Table 1: Conclusion of Inventory Sought Value



\*Note: Conn's was not able to provide damage data (surely, they had damage, they just couldn't provide data on it, without the data I made no consideration for damage) or aging data (Point 7 on chart above).

For appeal a more detailed analysis is conducted utilizing a similar formula =  $((100\% \text{HCN}_{\text{total}} - 100\% \text{HCN}_{\text{sold}} (= \text{BASE}) - 100\% \text{HCN}_{\text{dmg.}}) \times \% \text{Good applied to remaining BASE (10)}) + (100\% \text{HCN}_{\text{dmg.}} \times 5\%)$

Copy provided; DVD folder "Wkng Reference DVD"; sub-folder: "Court Cases"; sub-folder: "Court Precedent"; file: "Travis CAD v FM Properties.pdf" See also: TAB2.

NOTE: "Turn over" is a GAAM&T recognized method for measuring the productivity of an inventory, in this report GMROI is a variation of the Turnover formula. Ref: "Turnover ratios are useful for comparing and judging the validity of inventory assessment." '10PAV p. 483, Note: TO=Yearly (YTD) sold cost / YTD Avg. Inv. Cost; GMROI is similar =YTD sold GM / YTD Avg. Inv. Cost.

<sup>35</sup> Conn's assessment date in Collin was 9/1/2021

<sup>36</sup> See: **PTC §23.12(d). INVENTORY.**, (d) Subsections (b) and (c) of this section apply only to an inventory held for sale, lease, or rental. See also: TAB6, p. 23.

See also: **PTC §22.01. Rendition Generally.** (a) Except as provided by Chapter 24, a person shall render for taxation all tangible personal property used for the production of income that the person owns or that the person manages and controls as a fiduciary on January 1. A rendition statement shall contain: ...

<sup>37</sup> Id.

<sup>38</sup> Id.

see also: **Definition of the Appropriate Value in the Appraisal Process** on p. 38 *infra*

<sup>39</sup> See: FN36 – for income by sale, lease or rental