



Valbridge
PROPERTY ADVISORS

Appraisal Report

Loyalton Ranch Property
Loyalton, Sierra & Lassen County, California

Report Date: June 5, 2020



FOR:

City of Santa Clara
Mr. Joseph Bruzzone P.E.
Electric Utility Engineer
1500 Warburton Avenue
Santa Clara, California 95050

**Valbridge Property Advisors |
Northern California**

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Valbridge File Number:
CA05-20-0175



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June 5, 2020

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Mr. Joseph Bruzzone P.E.
Electric Utility Engineer
City of Santa Clara
1500 Warburton Avenue
Santa Clara, California 95050

RE: Appraisal Report
Loyalton Ranch Property
Loyalton, Sierra County, California 96118

Dear Mr. Bruzzone P.E.:

In accordance with your request, we have performed an appraisal of the above referenced property. This appraisal report sets forth the pertinent data gathered, the techniques employed, and the reasoning leading to our value opinions. This letter of transmittal does not constitute an appraisal report and the rationale behind the value opinion(s) reported cannot be adequately understood without the accompanying appraisal report.

The subject property, as referenced above, is located within the Sierra and Lassen counties, East of Loyalton and West of Cold Springs, and is further identified as tax parcel numbers 147-040-02-11, 147-050-02-11, 147-050-03-11, 147-05-19-11, 147-070-04-11, 147-070-05-11, 147-080-01-11, 147-080-03-11, 147-080-11-11, 147-080-14-11, 147-080-15-11, 021-010-003, 021-020-001, 016-100-004, 016, 090, 059, 021-010-006, 021-010-012, 016-100-005, 016-080-008, 016-070-012, 016-090-011, 021-010-013, 016-100-001, 016-100-006 and 016-080-007,. The subject is a 10,273.95-acre ranch with several smaller components as will be discussed herein.

We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation, the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

The client in this assignment is the City of Santa Clara and the intended user of this report is Joseph Bruzzone with the City of Santa Clara and no others. The sole intended use is to determine a value for a possible sale of the property. The value opinions reported herein are subject to the definitions, assumptions, limiting conditions, and certifications contained in this report.

The findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions, the use of which might have affected the assignment results:

Extraordinary Assumptions:

- In terms of physical characteristics of the property, we relied on information provided by our client, along with public record information and technology platforms including google earth. It is an extraordinary assumption of the appraisal that the information contained herein is accurate
- Legal access is assumed to exist for each of the three main property components. It is reported that the acreage has been used for grazing of livestock, and the acreage is thus assumed to be suitable for this use.

Hypothetical Conditions:

- None

Based on the analysis contained in the following report, our value conclusion is as follows:

Value Conclusion

Component	As Is
Value Type	Market Value
Property Rights Appraised	Fee Simple
Effective Date of Value	May 20, 2020
Value Conclusion	\$4,110,000
	<i>\$400.04 per acre</i>

Respectfully submitted,
Valbridge Property Advisors | Northern California



John A. Hillas, MAI, SRA
Managing Director
California Certified License #AG002432
January 21, 2021

Table of Contents

Cover Page	
Letter of Transmittal	
Table of Contents	i
Summary of Salient Facts	ii
Aerial Photograph	iii
Location Map	iv
Introduction	1
Scope of Work	3
Regional and Market Area Analysis	5
Site Description	10
Assessment and Tax Data	16
Highest and Best Use	18
Sales Comparison Approach	20
Reconciliation	28
Exposure Time and Marketing Period	28
General Assumptions and Limiting Conditions	29
Certification – John A. Hillas, MAI, SRA	34
Addenda	35
Glossary	36
Qualifications	42
Valbridge Property Advisors Information / Office Locations	45

Summary of Salient Facts

Property Identification

Property Name	Loyalton Ranch Property
Property Address	East of Loyalton and West of Cold Springs in Sierra and Lassen Counties
Latitude & Longitude	39.67918, -120.130868
Tax Parcel Numbers	147-040-02-11,147-050-02-11,147-050-03-11,147-05-19-11,147-070-04-11,147-070-05-11,147-080-01-11,147-080-03-11,147-080-11-11,147-080-14-11,147-080-15-11,021-010-003,021-020-001,016-100-004,016,090,059,021-010-006,021-010-012,016-100-005,016-080-008,016-070-012,016-090-011,021-010-013,016-100-001,016-100-006 and 016-080-007
Property Owners	City of Santa Clara

Site

Zoning	General Forrest, Mixed-industrial, Open Space (GF,MI,OS)
FEMA Flood Map No.	06091 C0250C (02/02/2012)
Flood Zone	Zone X, Not a Designated Flood Prone Area
Gross Land Area	10,273.950 acres
Usable Land Area	10,273.950 acres
Sierra County Acres	6,371.460 acres
Lassen County Acres	3,902.490 acres
Total Land Area	10,273.950 acres

Valuation Opinions

Highest & Best Use - As Vacant	Grazing land
Reasonable Exposure Time	Four to Six Months
Reasonable Marketing Time	Four to Six Months

Value Indications

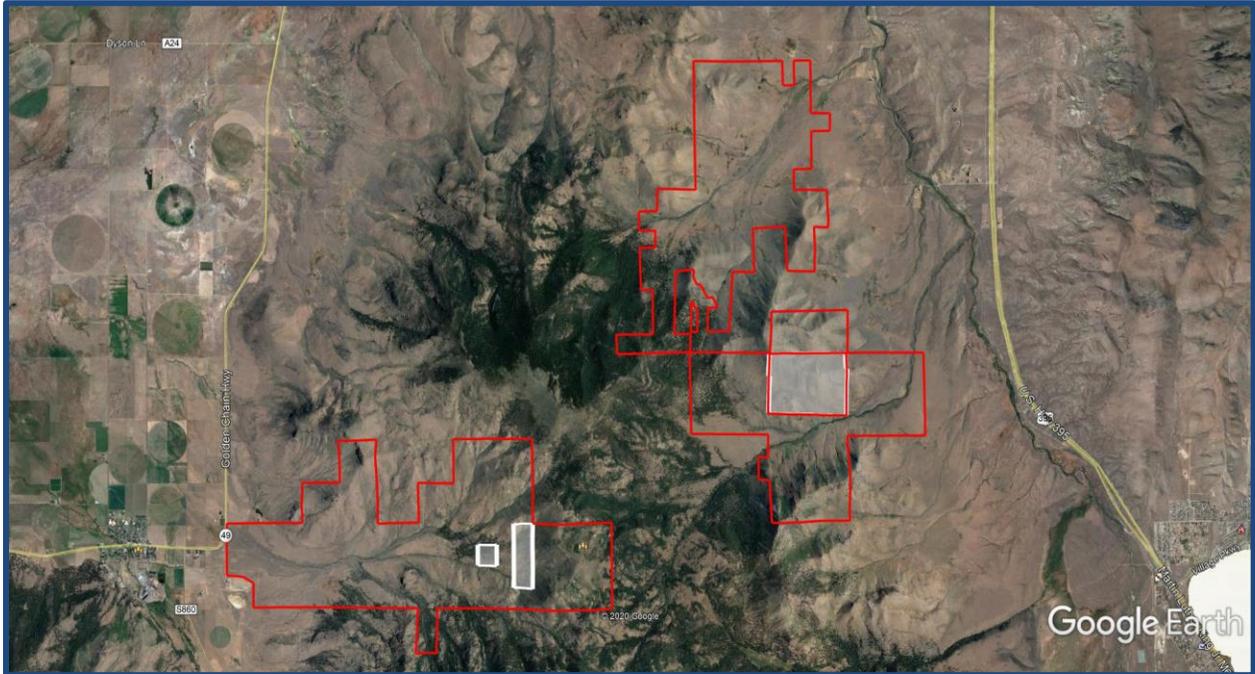
Approach to Value	As Is
Cost	Not Applicable
Sales Comparison	\$4,110,000
Income Capitalization	Not Applicable

Value Conclusion

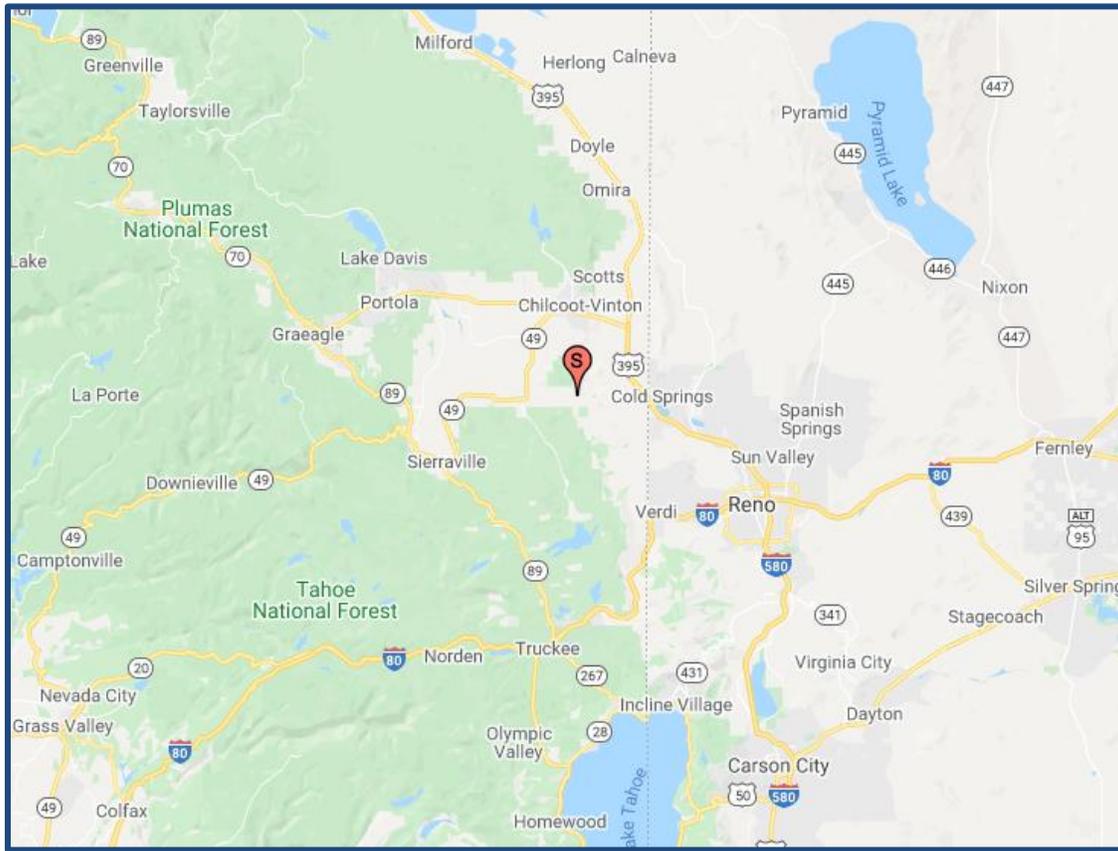
Component	As Is
Value Type	Market Value
Property Rights Appraised	Fee Simple
Effective Date of Value	May 20, 2020
Value Conclusion	\$4,110,000
	<i>\$400.04 per acre</i>

Aerial Photograph

AERIAL VIEW



Location Map



Introduction

Client and Intended Users of the Appraisal

The client in this assignment is the City of Santa Clara and the sole intended user of this report is Joseph Bruzzone with the City of Santa Clara.

Intended Use of the Appraisal

The sole intended use of this report is to determine a value for a possible sale of the property.

Real Estate Identification

The subject is located within Sierra and Lassen counties, East of Loyalton and West of Cold Springs, and is further identified by tax parcel numbers 147-040-02-11,147-050-02-11,147-050-03-11,147-05-19-11,147-070-04-11,147-070-05-11,147-080-01-11,147-080-03-11,147-080-11-11,147-080-14-11,147-080-15-11,021-010-003,021-020-001,016-100-004,016,090,059,021-010-006,021-010-012,016-100-005,016-080-008,016-070-012,016-090-011,021-010-013,016-100-001,016-100-006 and 016-080-007,.

Legal Description

A legal description of the property was not provided. The assessor parcel numbers, maps, and exhibits herein are considered to adequately identify the property.

Use of Real Estate as of the Effective Date of Value

As of the effective date of value, the subject was agricultural undeveloped land.

Use of Real Estate as Reflected in this Appraisal

Same as above.

Ownership of the Property

According to public records, title to the subject property is vested in the City of Santa Clara.

History of the Property

Ownership of the subject has not changed within the past three years. According to the City of Santa Clara, the property was purchased in 1977 for \$1,613,850 (\$157/acre). We have considered and analyzed the known history of the subject in the development of our opinions and conclusions.

Analysis of Listings/Offers/Contracts

The subject is not currently listed for sale or under contract for sale. There have been no known offers to purchase the subject.

Type and Definition of Value

The appraisal problem is to develop an opinion of the market value of the subject property. "Market Value," as used in this appraisal, is defined as "the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus." Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

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

The value conclusions apply to the value of the subject under the market conditions presumed on the effective date of value. Please refer to the Glossary in the Addenda section for additional definitions of terms used in this report.

Valuation Scenarios, Property Rights Appraised, and Effective Dates of Value

Per the scope of our assignment we developed an opinion of value for the subject property under the following scenario of value:

Valuation Scenario	Effective Date of Value
As Is Market Value of the Fee Simple Interest	May 20, 2020

Date of Report

The date of this report is June 5, 2020.

List of Items Requested but Not Provided

- None

Assumptions and Conditions of the Appraisal

This appraisal assignment and the opinions reported herein are subject to the General Assumptions and Limiting Conditions contained in the report and the following extraordinary assumptions and/or hypothetical conditions, the use of which might have affected the assignment results.

Extraordinary Assumptions

- In terms of physical characteristics of the property, we relied on information provided by our client, along with public record information and technology platforms including google earth. It is an extraordinary assumption of the appraisal that the information contained herein is accurate
- Legal access is assumed to exist for each of the three main property components. It is reported that the acreage has been used for grazing of livestock, and the acreage is thus assumed to be suitable for this use.

Hypothetical Conditions

- None

Scope of Work

The elements addressed in the Scope of Work are (1) the extent to which the subject property is identified, (2) the extent to which the subject is inspected, (3) the type and extent of data researched, (4) the type and extent of analysis applied, (5) the type of appraisal report prepared, and (6) the inclusion or exclusion of items of non-realty in the development of the value opinion. These items are discussed as below.

Extent to Which the Property Was Identified

The three components of the property identification are summarized as follows:

- Legal Characteristics - The subject was legally identified via county records and assessor plats from Lassen and Sierra County.
- Economic Characteristics - Economic characteristics of the subject were identified via information provided by the client, as well as a comparison to properties with similar locational and physical characteristics.
- Physical Characteristics - The subject was physically identified via information provided by our client, as well as aerial photography from Google Earth, topographic maps and other technology resources.

Extent to Which the Property Was Inspected

The property was not physically inspected by the appraiser. The subject property consists of over 10,000 acres of rural acreage, much of which has limited accessibility. Our analyses of available aerial photography and topographic maps was considered the best way to understand the physical characteristics of the property. The appraiser also has familiarity with the general area.

Type and Extent of Data Researched

We researched and analyzed: (1) market area data, (2) property-specific market data, (3) zoning and land-use data, and (4) current data on comparable listings and transactions. We also interviewed people familiar with the subject market/property type.

Type and Extent of Analysis Applied (Valuation Methodology)

We observed surrounding land use trends, the condition of any improvements, demand for the subject property, and relevant legal limitations in concluding a highest and best use. We then valued the subject based on that highest and best use conclusion.

Appraisers develop an opinion of property value with specific appraisal procedures that reflect three distinct methods of data analysis: the Cost Approach, Sales Comparison Approach, and Income Capitalization Approach. One or more of these approaches are used in all estimations of value.

All of these approaches to value were considered. We assessed the availability of data and applicability of each approach to value within the context of the characteristics of the subject property and the needs and requirements of the client. Based on this assessment, we relied upon the Sales Comparison Approach. The Cost Approach was not used because this is an appraisal of land only and there are no improvements for which costs can be estimated and accrued depreciation quantified. The Income

Capitalization Approach was not used because this is an appraisal of land only and market participants do not employ this approach for valuing land only. Such acreage is not traded on the basis of the revenue it would generate, but rather on the sale price per acre of land area (Sales Comparison Approach.)

Appraisal Conformity and Report Type

We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation and the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

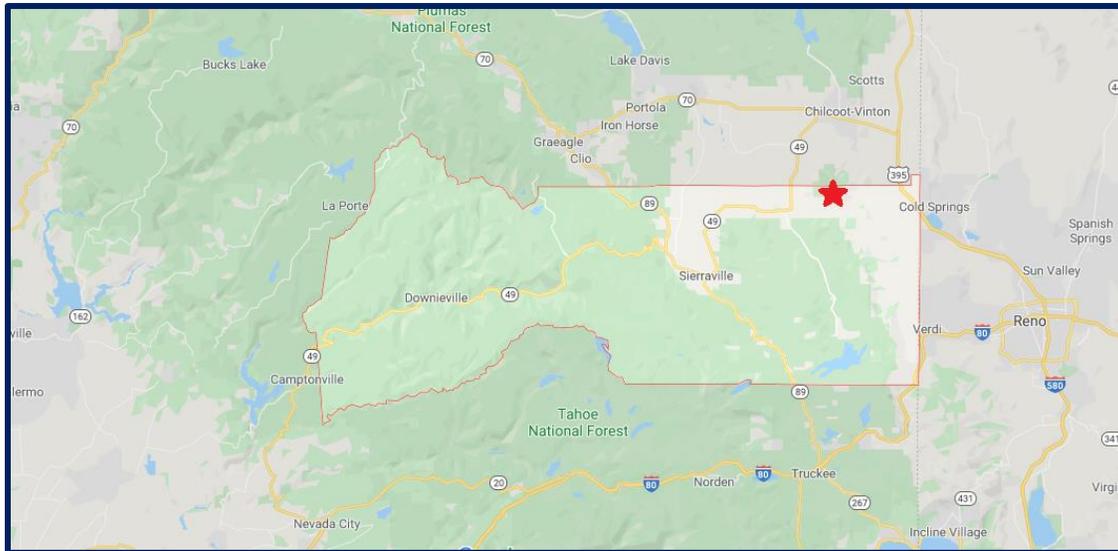
This is an Appraisal Report as defined by the Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2a.

Personal Property/FF&E

All items of non-realty are excluded from this analysis. The opinion of market value developed herein is reflective of real estate only.

Regional and Market Area Analysis

REGIONAL MAP



Overview

The subject property is located near Loyaltan, California with parcels sitting in both Sierra and Lassen counties. This area is on the northern/northeastern portion of the State. Both counties border the state of Nevada in a mountainous area rich in forestry and full of wildlife. These counties have a combined population of approximately 37,000 with only roughly 700 of those people residing in Loyaltan. The area was settled in the 1950s, with the City being established in 1864. Loyaltan is much the same today as it was back then and even refers to itself as the “city with more animals than people.”

Note that much of the following pertains to Sierra County but would be similar for Lassen County.

Population

Sierra county has a very small population with only about 3,214 residents, and while Lassen county is larger in population, housing 32,981 residents as of 2019, both counties are still very small compared to the rest of the state.

According to the Site to Do Business projections, presented below, both Sierra and Lassen counties are expected to see a decrease in population with a change of -0.4% annually between 2019-2024.

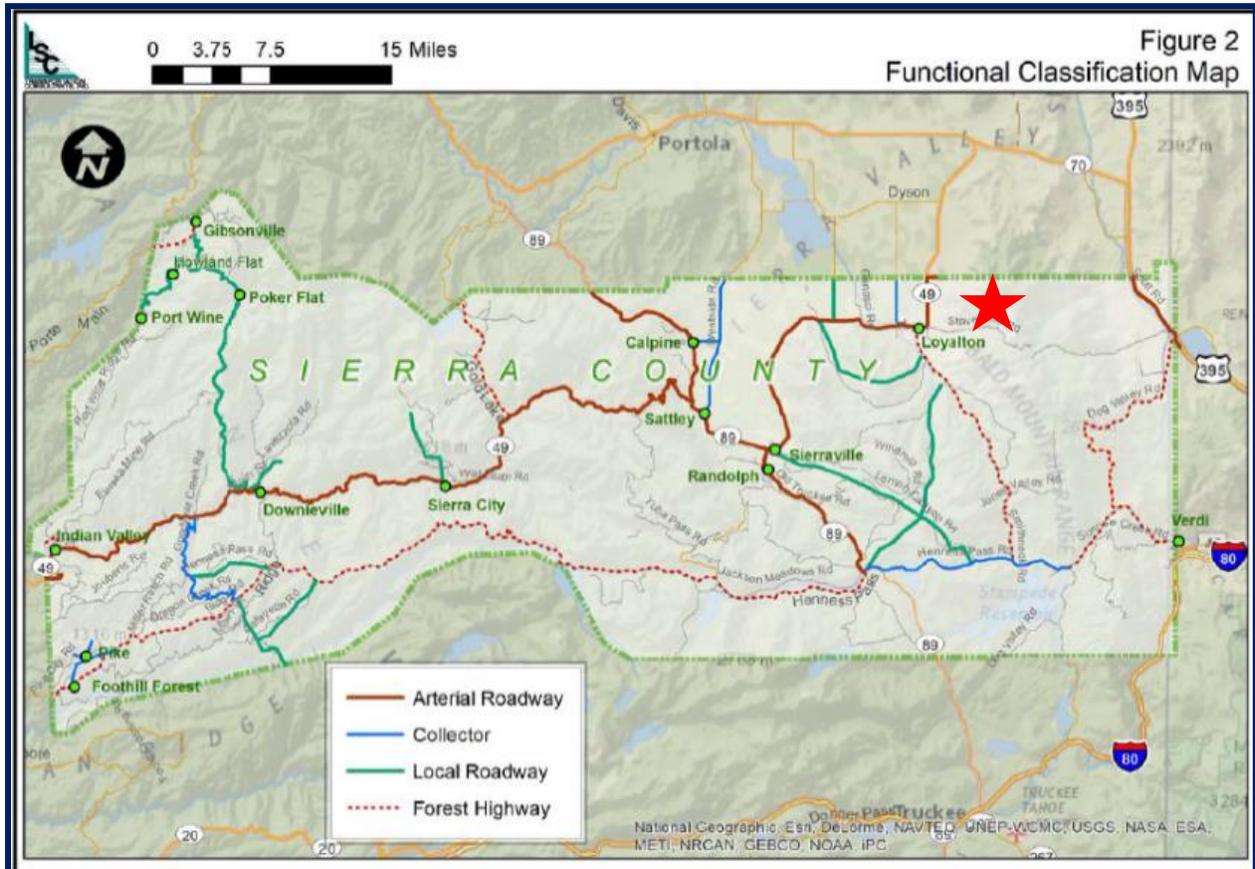
Population

Area	2000	2010	Annual % Change 2000 - 10	Estimated 2019	Projected 2024	Annual % Change 2019 - 24
United States	281,421,906	308,745,538	1.0%	332,417,793	345,487,602	0.8%
California	33,871,648	37,253,956	1.0%	39,813,541	41,166,386	0.7%
Lassen County	33,828	34,895	0.3%	32,981	32,284	-0.4%
Sierra County	3,555	3,240	-0.9%	3,214	3,149	-0.4%

Source: Site-to-Do-Business (STDB Online)

Transportation

Public transportation in Sierra County is very limited. There is no fixed route transit service, but public transportation is provided by two non-profit transit services, which services both Sierra County and the City of Loyalton. These services are open to the general public but primarily specialize in the elderly and disabled population. Considering the small population and the rural nature of Sierra County, there are currently no plans to increase or add public bus services as it is not necessary or financially feasible at this time.



Air service in the area is very minimal. The Sierraville Dearwater Field Airport is the only designated airport in Sierra County, and it is classified as a Basic Utility airfield. The airport provides a link for local and regional aviation uses. The field is used for recreation, ingress and egress for regional events, occasional charter services and emergency services. Air freight in the county is limited to occasional service by private aircraft. Residents in Sierra county typically use airports in Reno, Sacramento, and San Francisco for their commercial needs.

With such a small population, traffic congestion is not usually a problem in the City of Loyalton or the Sierra/Lassen County areas. About 64 miles of State Route 49 runs east-west through Sierra County and Loyalton. State Route 89 runs from Nevada County to the Plumas County line, crossing through about 30 miles of Sierra County. SR 89 largely carries local, commercial, and recreational traffic through undeveloped forest land with restricted access. US 395 runs through the northeastern corner of the county. A 1.6-mile-long section of I-80 passes through the southeastern corner of Sierra County.

Employment

The services sector provides the largest number of jobs in Sierra County. The second largest employment sector in the region is construction. The third largest percentage of jobs is provided by public administration.

Employment by Industry - Sierra County, CA

Industry	2019 Estimate	Percent of Employment
Agriculture/Mining	81	6.50%
Construction	284	22.70%
Manufacturing	42	3.40%
Wholesale trade	1	0.10%
Retail trade	51	4.10%
Transportation/Utilities	135	10.80%
Information	2	0.20%
Finance/Insurance/Real Estate Services	2	0.20%
Services	435	34.80%
Public Administration	214	17.10%
Total	1,249	100.0%

Source: Site-to-Do-Business (STDB Online)

Unemployment

The unemployment rate in Sierra County is currently higher than the rates of the state and nation. The County unemployment rate was 8.5% as of March 2020 (most recent available). That is almost double what it was the year prior. The State of California is at 5.6% while the Nation sits at 3.5% for the same time period.

Unemployment rates locally and nationwide had been on a decreasing trend over the last several years but more recently have increased, as shown in the table below. Due to the recent spread of Covid-19, California issued a "Shelter in Place" order which has led to massive lay-offs throughout the state causing unemployment rates to rise. The full scope of that impact is yet to be seen.

Unemployment Rates

Area	YE 2013	YE 2014	YE 2015	YE 2016	YE 2017	YE 2018	YE 2019	YTD 2020
United States	6.7%	5.6%	5.0%	4.7%	4.1%	3.9%	3.5%	3.5%
California	8.0%	6.6%	5.6%	5.1%	4.3%	4.2%	3.7%	5.6%
Sierra County	11.9%	10.2%	8.4%	8.3%	5.8%	5.8%	4.5%	8.5%

Source: Bureau of Labor Statistics - Year End - National & State Seasonally Adjusted

Median Household Income

Lassen and Sierra Counties have a median household income which is quite a bit lower than that of the state and national average but is expected to grow by about 1.5-3 percent over the next four years. Total median household income for the region is presented in the following table. Overall, the subject compares unfavorably to the state and the country.

Median Household Income

Area	Estimated 2019	Projected 2024	Annual % Change 2019 - 24
United States	\$60,548	\$69,180	2.9%
California	\$74,520	\$86,333	3.2%
Lassen County	\$54,165	\$62,166	3.0%
Sierra County	\$53,341	\$57,386	1.5%

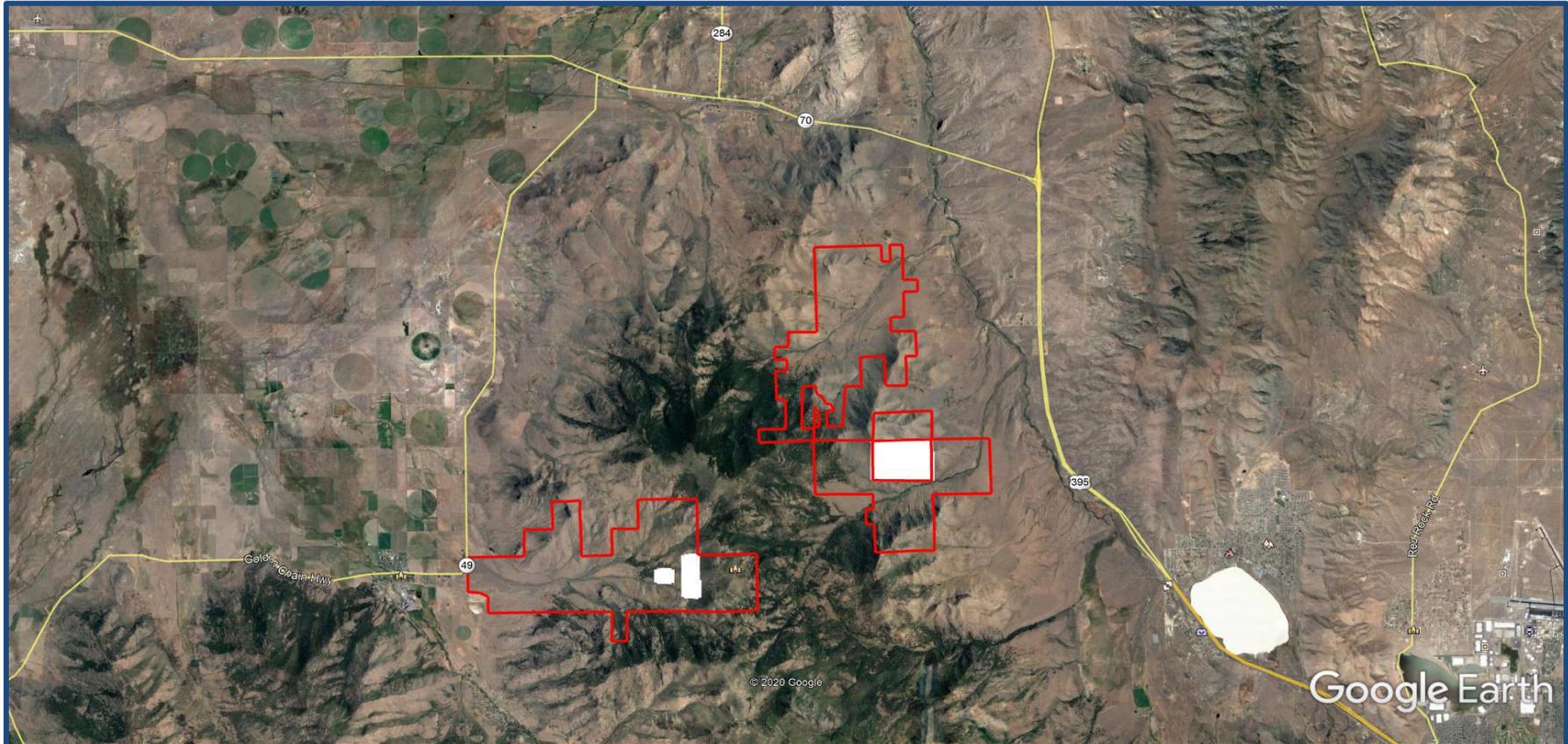
Source: Site-to-Do-Business (STDB Online)

Conclusions

Sierra County and Lassen County are well up into the Sierra Nevada and consist mostly of rural/remote acreage and small communities. With a decreasing population, aging work force and limited local training options the pool of workers in this area is quite small and talent attraction is difficult due to lack of housing availability. Most of the housing is owner occupied with limited rental options. There is a significant amount of land that is owned by the Federal or State Government. Although Loyalton is the biggest community within Sierra County it has been called “the loneliest town in America” because visitors are few and far between. Despite the scenic views and pleasant small-town atmosphere, there is not much to attract tourism keeping the town much as it was 150 years ago: small, quiet, and full of wildlife and natural beauty.

In the near term, the outlook for 2020 is clouded by the unknowns associated with the new coronavirus. There are increasing impacts on many businesses as people curb their activity, and certain industries are already being severely affected. The outlook is for a market softening, but as is the case for other disasters, any extended marketing times or negative impacts on values will subsequently tend to wane and return to some degree of normalcy. The timeline remains unknown.

GOOGLE AERIAL



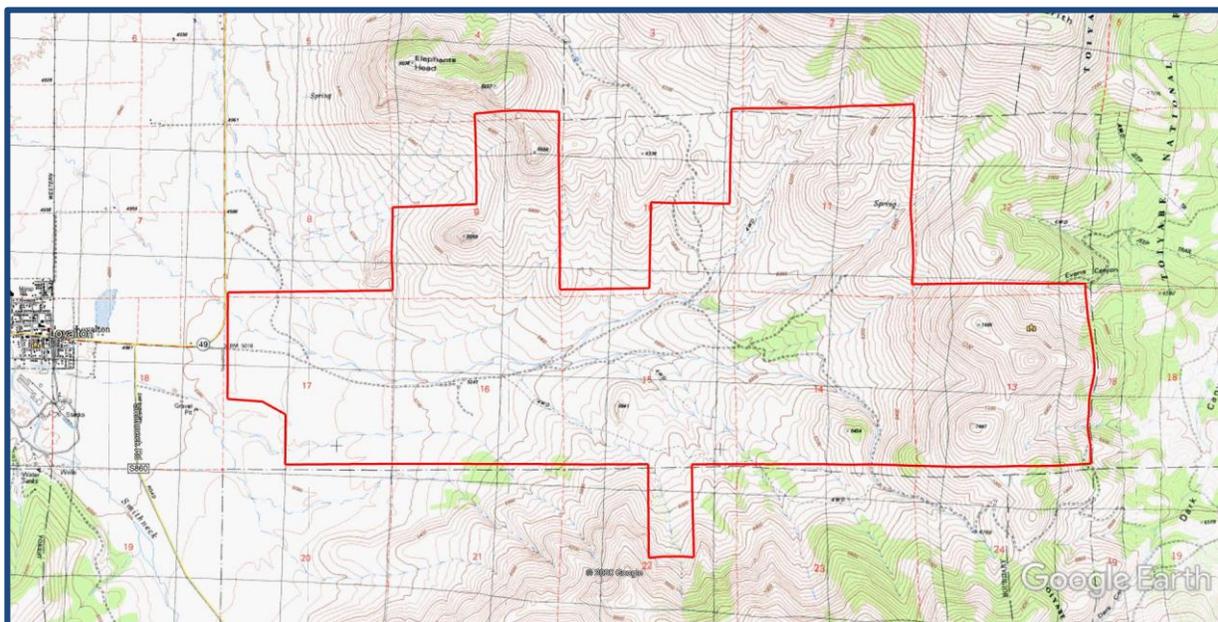
The subject acreage is outlined in red. The white shaded areas within the boundaries of the subject acreage are Federal or State owned land. The town of Loylton is to the southwest, Cold Springs and other suburbs of Reno are to the east/southeast.

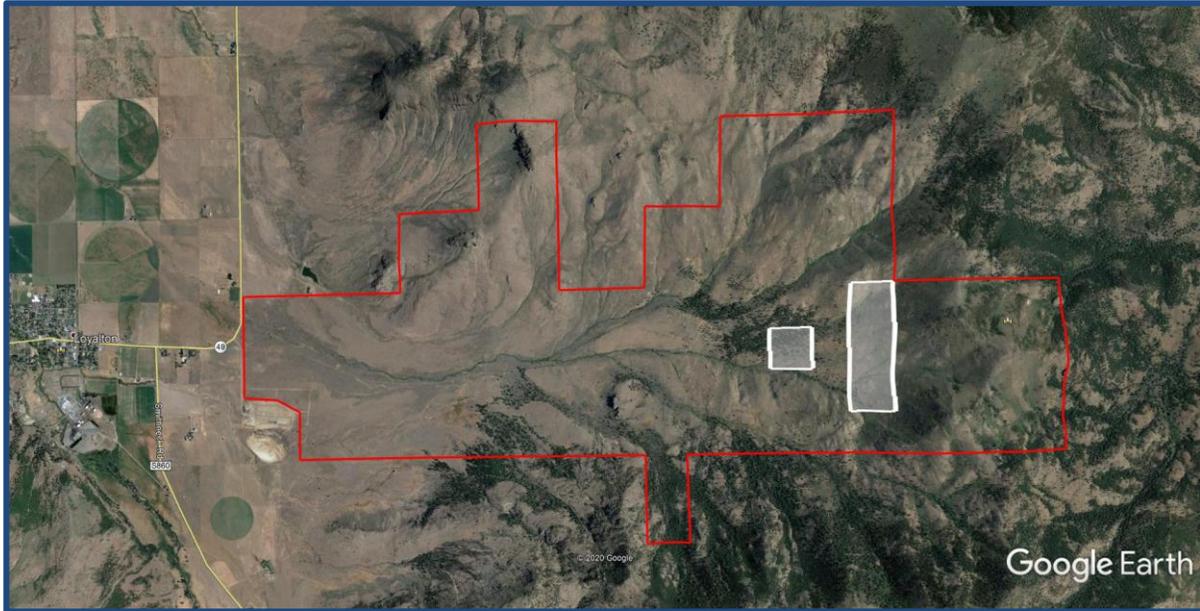
Site Description

The subject property is located in northeastern California, about 100 air miles northeast of Sacramento, and about 20 air miles northwest of Reno. The property is just east of Loyalton, and northwest of Cold Springs, Nevada. The characteristics of the site are summarized as follows:

Site Characteristics

Summary:	The property consists of three components of acreage that is remote and in a generally native state. The acreage has historically been used as seasonal grazeland.
Location:	The acreage is within Sierra County and Lassen County, CA, just east of Loyalton, CA and just west of Cold Springs, Nevada.
Gross Land Area:	10,273.95 Acres
Lassen County Acres:	3,902.49 Acres
Sierra County Acres:	6,371.46 Acres
Shape:	Irregular
Topography:	Topography ranges from lower mildly sloping flatlands to steep sloping areas and peaks. Following is a brief description of each of the three main components of the property.
Western Acreage:	The western acreage, just east of Loyalton, is relatively flat in the western portion at about 5,000 feet elevation, extending easterly to peaks that are almost 7,500 feet high. There is somewhat of a valley that extends upward in elevation from the west to the east, sloping up also toward the north and south. There are several "jeep" trails identified on the topographic map, and one named "road" (Staverville Road) that is basically a trail.



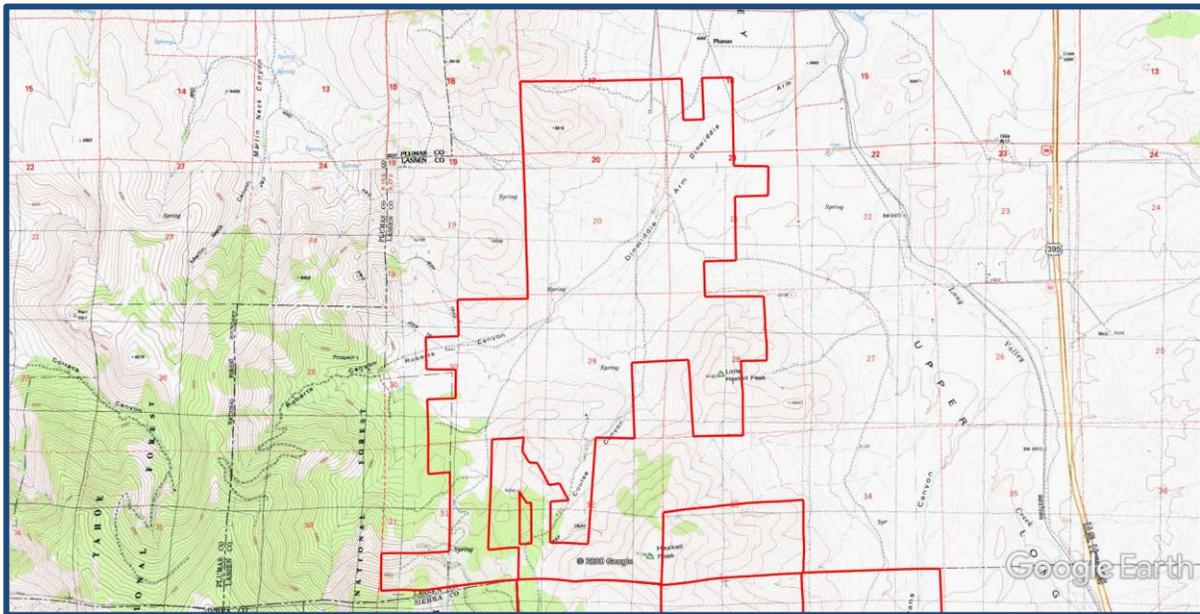
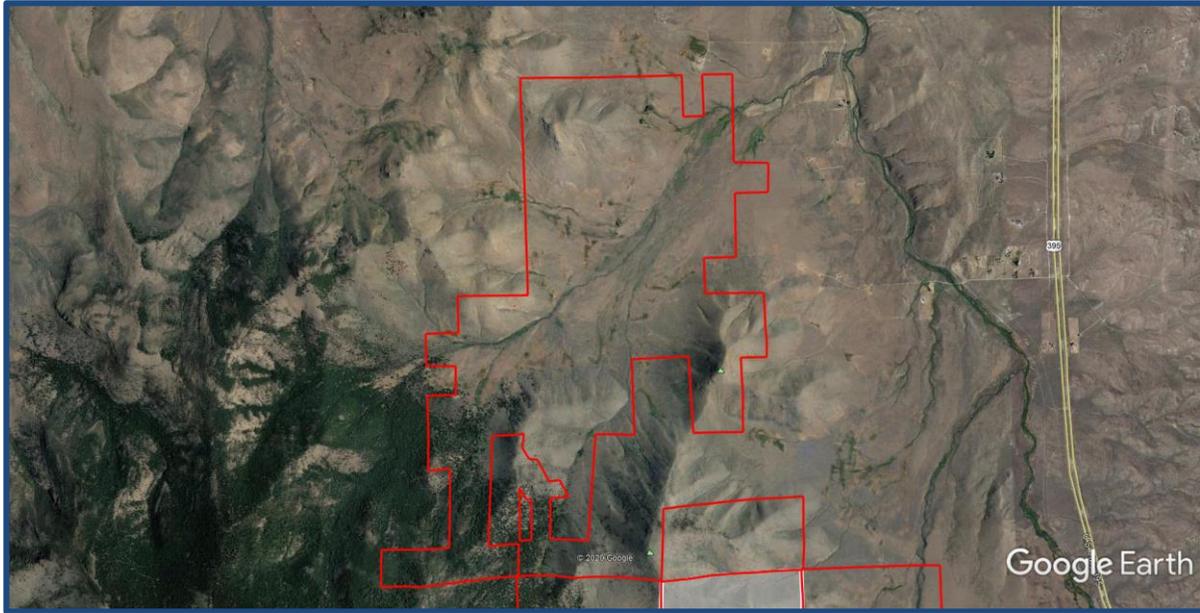


There are several high peaks in this portion of the property. Notably, there are two “islands” of public land reflected in the white shaded areas in the aerial image above.

Northeastern Acreage:

The northeastern acreage is southwest of the intersection of Highway 70 and the 395 Freeway, just east of Reno Junction. This is considered the main ranch area with a farmstead in the northern portion.

This acreage has a significant amount of nearly level or gently sloping acreage, sloping up to the south and southeast, as well as to the northwest. The lower area in the northeast part of this acreage is at about 5,000 feet elevation, extending southerly to just over 6,000 feet, with higher areas up to 7,000 feet to the southwest.

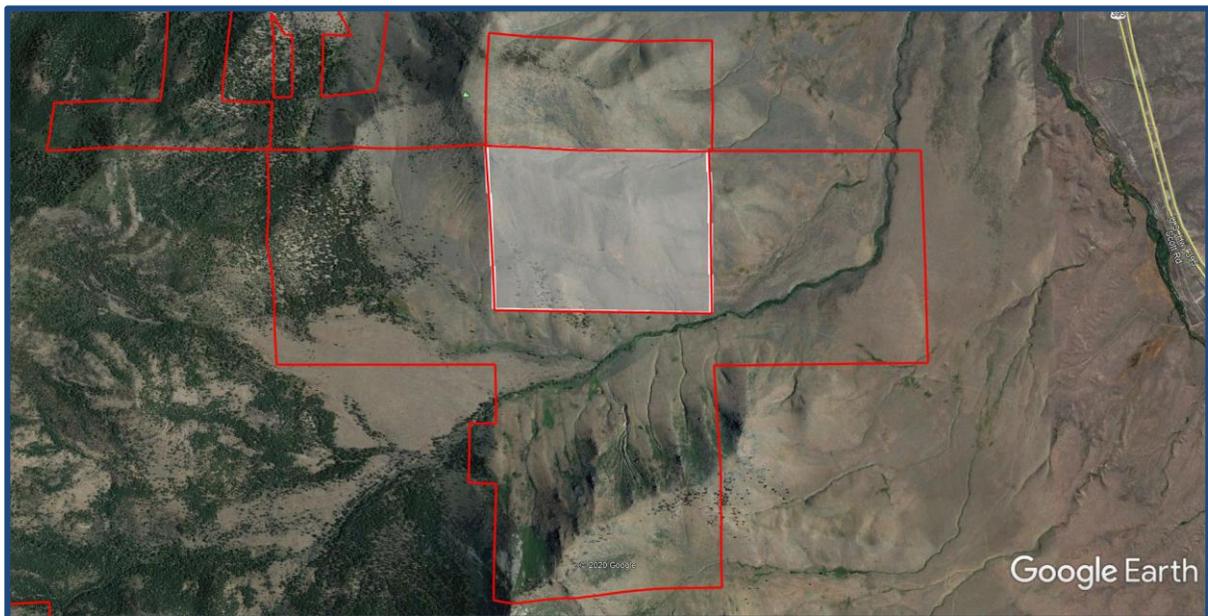
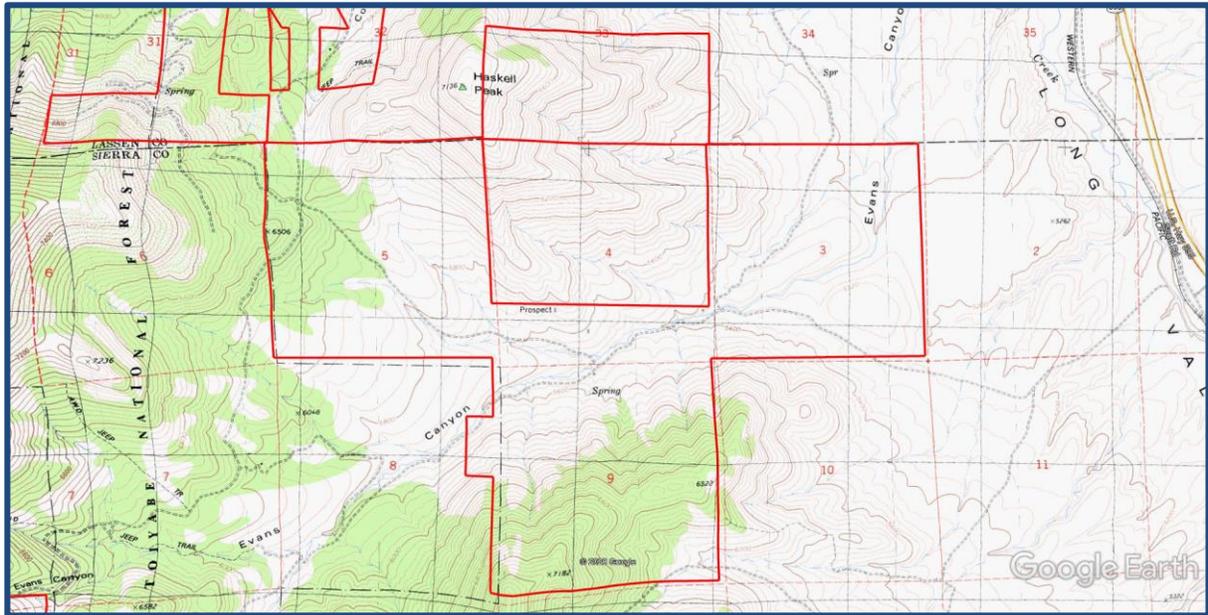


There is publicly owned land adjacent to the south. One small portion of the subject is an island within this public land.

Southeastern Acreage:

The southeastern component of the property is similar to the others in that it has valley areas and high peaks, but it differs from the other two property components in that it has inferior access.

As reflected in the aerial photo below, there is a portion of public land (white shaded) that extends into the subject acreage, with additional subject acreage north of that. Aside from "touching" the southern edge of the northeastern part of the property, it is not technically adjoining.



Note in the topographic map above where the Lassen/Sierra County line crosses the property.

Utilities:

Electric power is believed to exist at the western edge near Loyaltan, and in the northeastern part of the property near the existing farmstead. The main ranch site has a domestic well.

Access:

The acreage is considered remote. The property is accessible from the southwest corner where Garbage Pit Road connects with Staverville Road. Staverville Road runs West-East through the Southern portion of the Sierra County parcels.

There is also access from the northeast, with ranch roads extending southwesterly. There is also a ranch road which appears to extend easterly from the northeast acreage to Bringman Road and the 395 freeway.

The southeast part of the property has inferior access when compared to the other two property components. There is a trail/road which extends from the 395 freeway toward the southeastern part of this southeastern acreage, but it would require an offroad vehicle.

Significantly, legal access is assumed to exist for each of the three main property components. It is reported that the acreage has been used for grazing of livestock, and the acreage is thus assumed to be suitable for this use.

Other Site Conditions

Soil Type:	This is remote hilly acreage at 5,000 to 7,500 feet elevation. It is rocky and typically consists of soils that would not be highly rated for productive agriculture, other than seasonal grazeland.
Environmental Issues:	An environmental site assessment report was not furnished for our review. The appraisers are not considered experts in hazardous materials. The client is advised to obtain a report from an environmental expert if further investigation is desired. It is assumed that the property is free of any environmental concerns.
Easements/Encroachments:	A Preliminary Title Report was not provided for review. We note that appraisers are not experts with regard to matters of title. We assume that there are no easements or encumbrances or other matters of record that would materially affect the value of the subject property either positively or negatively.
Earthquake Zone:	The property is not located in an Alquist-Priolo Special Studies Zone for earthquake hazard. Earthquake hazard is typical for the overall area.
Wetlands Classification:	Not applicable

Zoning Designation

Zoning Jurisdiction:	Sierra County and Lassen County
Zoning Classification:	Sierra: GF (General Forest) and A1 (Agriculture 1) Lassen: OS (Open Space)
General Plan Designation:	Sierra: Agricultural, Forest Lassen: Extensive Agriculture
Permitted Uses:	Permitted uses are primarily agricultural in nature. Limited residential use is also allowed. The forest designation provides for the harvest of timber where there is adequate supply/access.

Analysis/Comments on Site

The subject consists of acreage in the northeast part of the state of California, just northwest of Reno, Nevada. It includes $\pm 6,371.46$ acres in Sierra County, and $\pm 3,902.49$ acres in Lassen County. There are three separate ranch components, including the $\pm 3,582.49$ acre main headquarters ranch accessible from the north, $\pm 4,272.46$ acres in the southwest portion, just east of Loyalton, and a third component east of Loyalton and south of the main headquarters ranch. This third component in the southeast is more remote with inferior access. It amounts to $\pm 2,419$ acres. The main headquarters ranch includes a farmstead, but the property is otherwise unimproved but for fencing. There are no known developed irrigation systems, the acreage is served by natural ponds and creeks, etc.

The property has historically been used for seasonal grazeland. With elevations of 5,000 to over 7,000 feet in the Sierra Nevada, snow limits grazing during winter and into the early spring.

Assessment and Tax Data

Assessment Methodology

The State of California has provided for a unified system to assess real estate for property taxes. Assessment Districts are established on a county basis to assess real estate within the county. The appraised property falls under the taxing jurisdiction of Lassen and Sierra Counties and is subject to both general taxes and direct assessments.

Assessed Values and Property Taxes

The subject's assessed values, applicable tax rates and total taxes including direct assessments are shown in the following table. The first 11 parcels are in Lassen County, the others are in Sierra County.

Tax Schedule

Tax Year	Parcel Number	Assessed Value - Land	Assessed Value - Imp.	Assessed Value	Tax Rate	Special Assessments	Tax Expense	
1	2019	147-040-02-11	\$16,407		\$16,407	1.000000%	\$164	
2	2019	147-050-02-11	\$22,975	\$38,607	\$61,582	1.000000%	\$616	
3	2019	147-050-19-11	\$13,126		\$13,126	1.000000%	\$131	
4	2019	147-050-20-11	\$26,258		\$26,258	1.000000%	\$538	
5	2019	147-070-04-11	\$15,989		\$15,989	1.000000%	\$160	
6	2019	147-070-05-11	\$13,126		\$13,126	1.000000%	\$131	
7	2019	147-080-01-11	\$22,524		\$22,524	1.000000%	\$225	
8	2019	147-080-03-11	\$14,729		\$14,729	1.000000%	\$147	
9	2019	147-080-11-11	\$34,812		\$34,812	1.000000%	\$348	
10	2019	147-080-14-11	\$1,097		\$1,097	1.000000%	\$11	
11	2019	147-080-15-11	\$8,283		\$8,283	1.000000%	\$83	
12	2019	016-070-012	\$98,400		\$98,400	1.047000%	\$144	
13	2019	016-080-007	\$27,579		\$27,579	1.047000%	\$48	
14	2019	016-080-008	\$131,200		\$131,200	1.047000%	\$192	
15	2019	016-090-011	\$131,200		\$131,200	1.047000%	\$192	
16	2019	016-090-059	\$104,796		\$104,796	1.047000%	\$154	
17	2019	016-100-001	\$131,200		\$131,200	1.047000%	\$192	
18	2019	016-100-004	\$98,400		\$98,400	1.047000%	\$144	
19	2019	016-100-005	\$103,421		\$103,421	1.047000%	\$51	
20	2019	021-010-003	\$131,200		\$131,200	1.047000%	\$1,374	
21	2019	021-010-006	\$25,855		\$25,855	1.047000%	\$271	
22	2019	021-010-012	\$65,600	\$1,243	\$66,843	1.047000%	\$700	
23	2019	021-010-013	\$5,330		\$5,330	1.047000%	\$56	
24	2019	021-020-001	\$113,980		\$113,980	1.047000%	\$1,193	
Total			\$1,357,487	\$39,850	\$1,397,337		\$1,392	\$15,915

General Taxes

The amount of General Taxes due is quantified by multiplying the assessed value by the tax rate. In the State of California, real estate is assessed at 100% of market value as determined by the County Assessor's Office. The tax rate consists of a base rate of 1% plus any bonds or fees approved by the voters. The County Tax Rate for the Sierra County acreage is 1.047%. The rate in Lassen County is 1.0%

Direct Assessments

Direct assessments are tax levies that are not dependent upon the assessed value of the property. They are levied regardless of assessment. According to the Lassen and Sierra County Tax Collector's Offices, the direct assessments for the subject are \$1,392.

Current and Future Taxes

Proposition 13 was passed by voters in June 1978 and substantially changed the taxation of real estate in California. This constitutional amendment rolled back the base year for assessment purposes to the tax year 1975-1976. Annual increases in assessed value are limited to 2 percent per year, regardless of the rate of inflation. Real estate is subject to re-appraisal to current market value upon a change in ownership or new construction. Property assessments in years subsequent to a change of ownership or new construction are referred to as factored base values.

Proposition 8, which passed in November 1978, states that the Assessor shall lower tax roll values to fair market value whenever the assessed value exceeds fair market value. It mandates that the lower of fair market value or factored base value be placed on the assessment roll. When fair market values are enrolled, the Assessor reassesses the property annually until such time as fair market value again equals or exceeds the factored base year value. For properties that have been owned for several years, the assessed value may not reflect the current fair market value. Furthermore, due to adjustments following a Prop 8 reduction, increases in assessed value can increase substantially more than 2% per year until the assessment again matches the factored base year value.

Conclusions

According to the Lassen and Sierra County Tax Assessors Offices the subject's property taxes are current as of the date of value.

Highest and Best Use

The Highest and Best Use of a property is the use that is legally permissible, physically possible, and financially feasible which results in the highest value. An opinion of the highest and best use results from consideration of the criteria noted above under the market conditions or likely conditions as of the effective date of value. Determination of highest and best use results from the judgment and analytical skills of the appraiser. It represents an opinion, not a fact. In appraisal practice, the concept of highest and best use represents the premise upon which value is based.

Analysis of Highest and Best Use As Though Vacant

The primary determinants of the highest and best use of the property As Though Vacant are the issues of (1) Legal permissibility, (2) Physical possibility, (3) Financial feasibility, and (4) Maximum productivity.

Legally Permissible

The subject site is zoned General Forest, Open Space and Agriculture. The zoning controls the general nature of permissible uses but is appropriate for the location and physical elements of the subject, providing for a consistency of use with the general neighborhood. The location of the subject property is appropriate for the uses allowed, as noted previously, and a change in zoning is unlikely. There are no known easements, encroachments, covenants, or other use restrictions that would unduly limit or impede development.

Physically Possible

The physical attributes allow for a number of potential uses. Elements such as size, shape, availability of utilities, known hazards (flood, environmental, etc.), and other potential influences are described in the Site Description and have been considered. There are no items of a physical nature which would adversely impact development with the legal permitted uses. The property has historically been used for livestock grazing and recreational uses.

Financially Feasible

The probable use of the site for agricultural and recreational uses conforms to the pattern of land use in the market area. An agricultural ranch and/or recreational use is feasible and most likely. A residential use as an accessory to the agriculture use is also quite common.

Maximally Productive

Among the financially feasible uses, the use that results in the highest value (the maximally productive use) is the highest and best use. Considering these factors, the maximally productive use as though vacant is for continuation of the current agricultural and recreational use.

Conclusion of Highest and Best Use As Though Vacant

The conclusion of the highest and best use as though vacant is for continuation of the current agricultural and recreational use.

Analysis of Highest and Best Use as Improved

In determining the highest and best use of the property as improved, the focus is on three possibilities for the property: (1) continuation of the existing use, (2) modification of the existing use, or (3) demolition and redevelopment of the land.

The only improvements to the property consist of fencing and a farmstead. Retaining the improvements as they exist meets the tests for physical possibility, legal permissibility, and financial feasibility. The improvements are reportedly in serviceable condition and any alternative use of the existing improvements is unlikely to be economically feasible.

Conclusion of Highest and Best Use As Improved

The highest and best use of the subject property, as improved, is continuation of the existing agricultural and recreational use.

Most Probable Buyer

As of the date of value, the most probable buyer of the subject is an owner/user who intends to graze the acreage or use for recreational purposes.

Sales Comparison Approach

Methodology

The Sales Comparison Approach develops an indication of market value by analyzing closed sales, listings, or pending sales of properties similar to the subject, focusing on the difference between the subject and the comparables using all appropriate elements of comparison. This approach is based on principles of supply and demand, balance, externalities, and substitution, or the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership.

The process of developing the Sales Comparison Approach consists of the following: (1) researching and verifying transactional data, (2) selecting relevant units of comparison, (3) analyzing and adjusting the comparable sales for differences in various elements of comparison, and (4) reconciling the adjusted sales into a value indication for the subject.

Unit of Comparison

The primary unit of comparison selected depends on the appraisal problem and nature of the property. The primary unit of comparison in the market for properties such as the subject is the price per acre.

Elements of Comparison

Elements of comparison are the characteristics or attributes of properties and transactions that cause the prices of real estate to vary. The primary elements of comparison considered in sales comparison analysis are as follows: (1) property rights conveyed, (2) financing terms, (3) conditions of sale, (4) expenditures made immediately after purchase, (5) market conditions, (6) location, and (7) physical characteristics.

Comparable Sales Data

We conducted a search for market data in a variety of resources and public records, as well as interviews with knowledgeable real estate professionals in the area.

We considered many transactions but focused our analysis on the six most relevant sales of agricultural properties in the area. The data presented herein were judged to be the most comparable to develop an indication of market value for the subject property.

While some of the sales are not as recent as would be ideal, the market for this type of property has been generally trending very moderately upward.

There is a general trend evident where the smaller magnitude sales reflect higher prices per acre, and the opposite is generally true. Other factors can offset this size/price relationship.

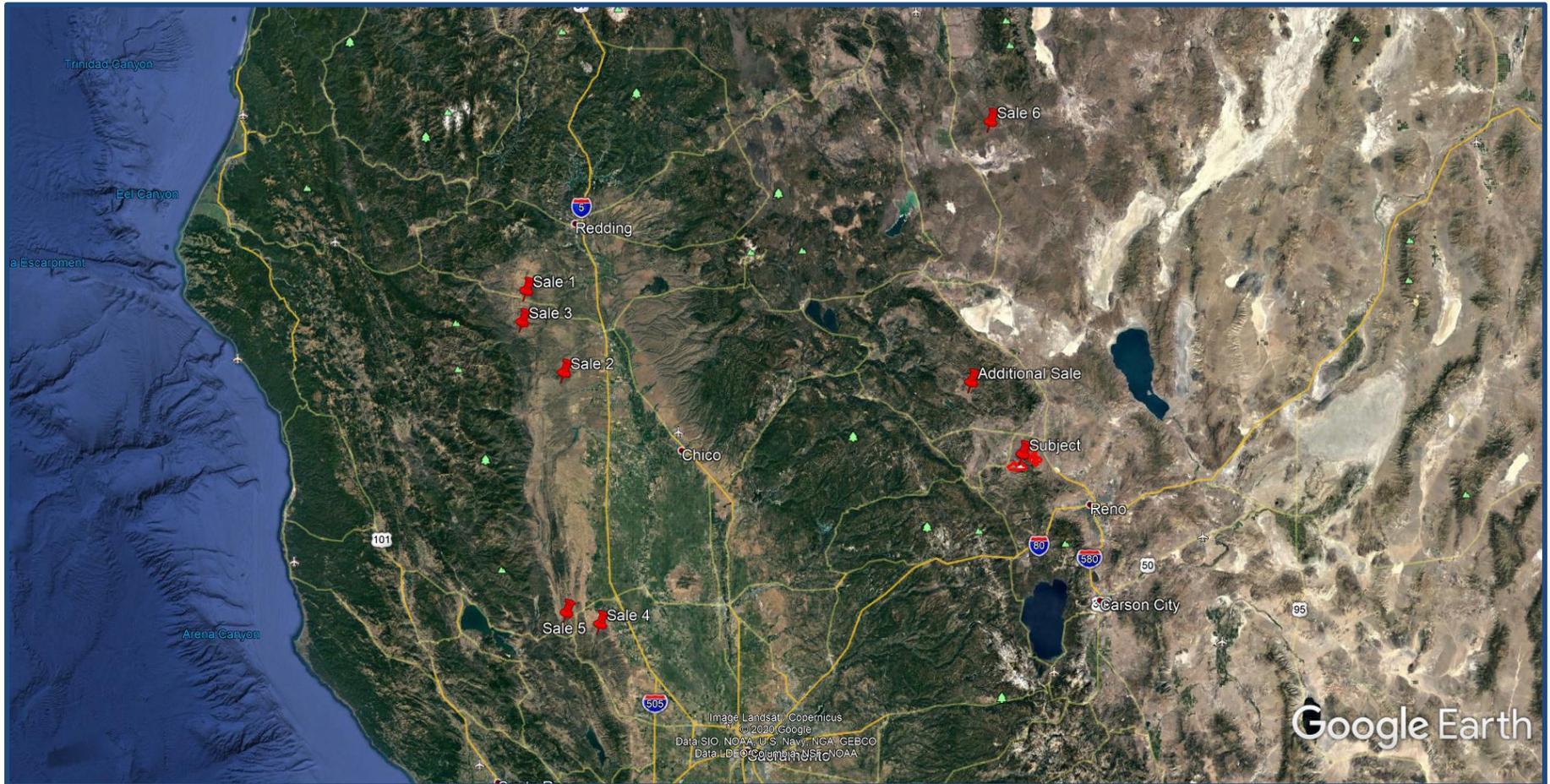
The table on the following page summarizes the sales, followed by a map displaying the location of each comparable in relation to the subject, and a land sale ranking grid which illustrates our analyses.

COMPARABLE SALES DATA

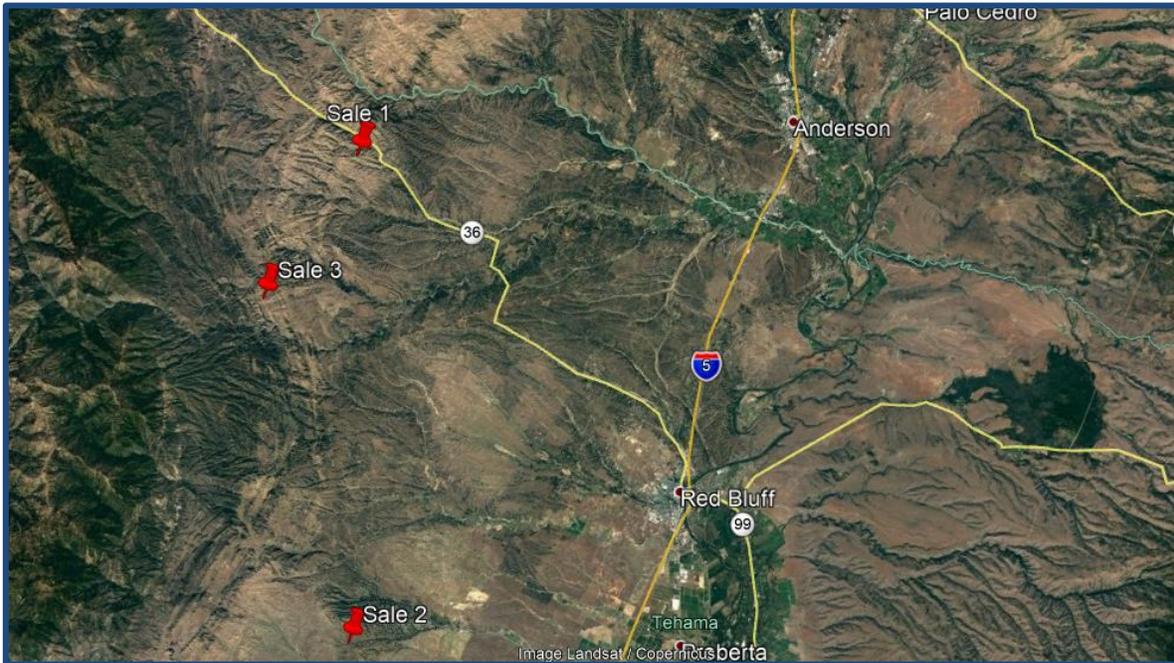
Sale No.	Location	Grantor	Sale Date	Size (acres)
		Grantee Reference No.		Struct Impr Price/Acre
1	24 Miles NW of Red Bluff Red Bluff, Tehama County	Various (Diamond)	6/8/2018	6,579.28
		Lazy Spade Doc#2018-6384	\$6,977,000	None
				\$1,060
2	14 Miles NW of Corning Flournoy, Tehama County	Lammers Properties, LLC	2/15/2018	5,379.85
		Lowe Trust Doc#2018-001529	\$5,900,000	Farmstead
				\$1,097
3	Intersection of Pettyjohn and Weemasoul Roads Red Bluff, Tehama County	Cliff Cattle Co.	10/26/2017	16,127.80
		Peyton Pacific Properties, LLC Doc#2017-13622	\$9,000,000 \$390,000	Farmstead
			\$9,390,000	\$582
4	17 Miles W of Williams on Spring Valley Rd & 7 Miles W of Arbuckle by easement off the end of Hahn Road Arbuckle, Colusa County	Brackett Ranches	4/17/2017	8,392.80
		M & R LaGrande Doc#2017-1352	\$6,500,000	Yes
				\$774
5	18 Miles SW of Williams off of Bear Valley Rd Williams, Colusa County	Brackett Ranches	3/27/2017	12,896.46
		Nobmann, LLC Doc# 2017-1109	\$10,000,000	Farmstead
				\$775
6	12 miles NE of Ravendale Ravendale, Lassen County	Roberts Trust	7/22/2016	23,500
		Dodge Ranch, LLC Doc# 2016-3293	\$9,200,000 (\$1,800,000)	Farmstead
			\$7,400,000	\$315

Sale 3 is adjusted upward for a cash equivalency adjustment. Sale 6 is adjusted downward to exclude the estimated contributory value of improvements. Some of the other sales also had improvements but they were not significant enough to warrant formal adjustment.

COMPARABLE SALES MAP



SALES 1, 2 AND 3

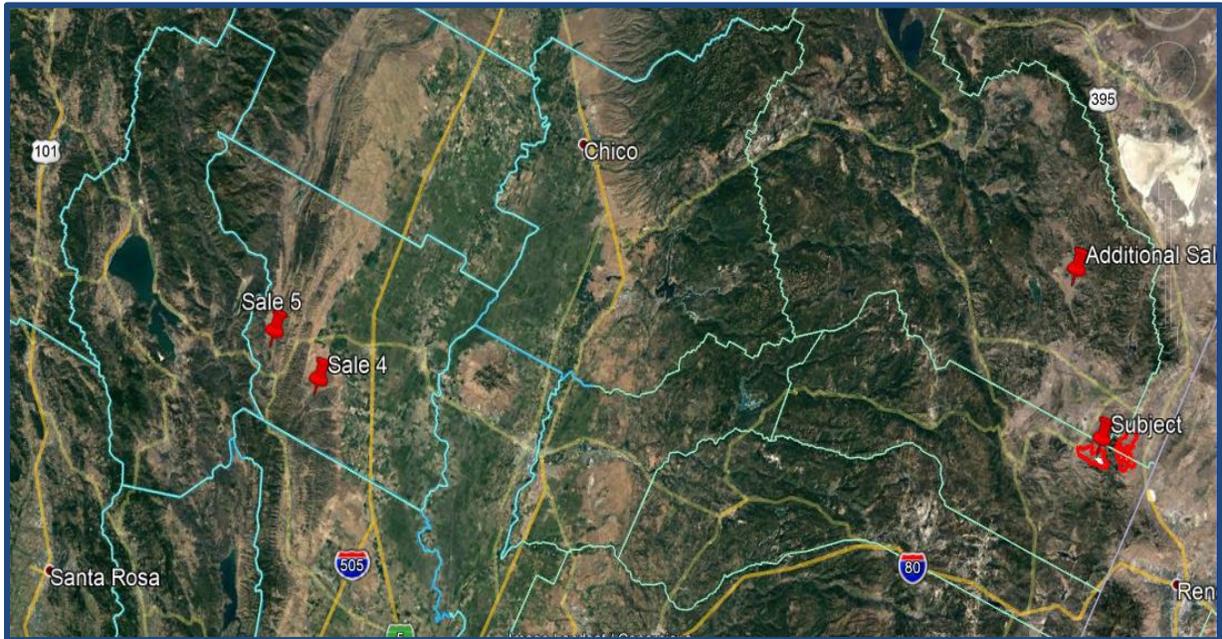


Sale 1 (\$1,060 per acre) This is the sale of approximately 6,578.28 acres of grazeland that abuts Highway 36 on the north end. It has rolling hills in the interior portion and has been used for yearlings for a number of years. The property was purchased with four separate purchase agreements. The property receives surface water but does not have an irrigation system. There is no conservation easement on this property.

Sale 2 (\$1,097 per acre) This is the sale of approximately 5,379.85 acres of grazing land that also consists of improvements. This property has perimeter fencing, single wide mobile home, a hay/pole barn with attached tack room and horse stalls plus a steel corral area with lead up, squeeze, and loading chute. The property has adequate stock water from a variety of reservoirs and a hill water system that is comprised of a well with tank, troughs, and underground pipelines. The topography ranges in elevation from 630'-1050'. The contributory value of the improvements is nominal.

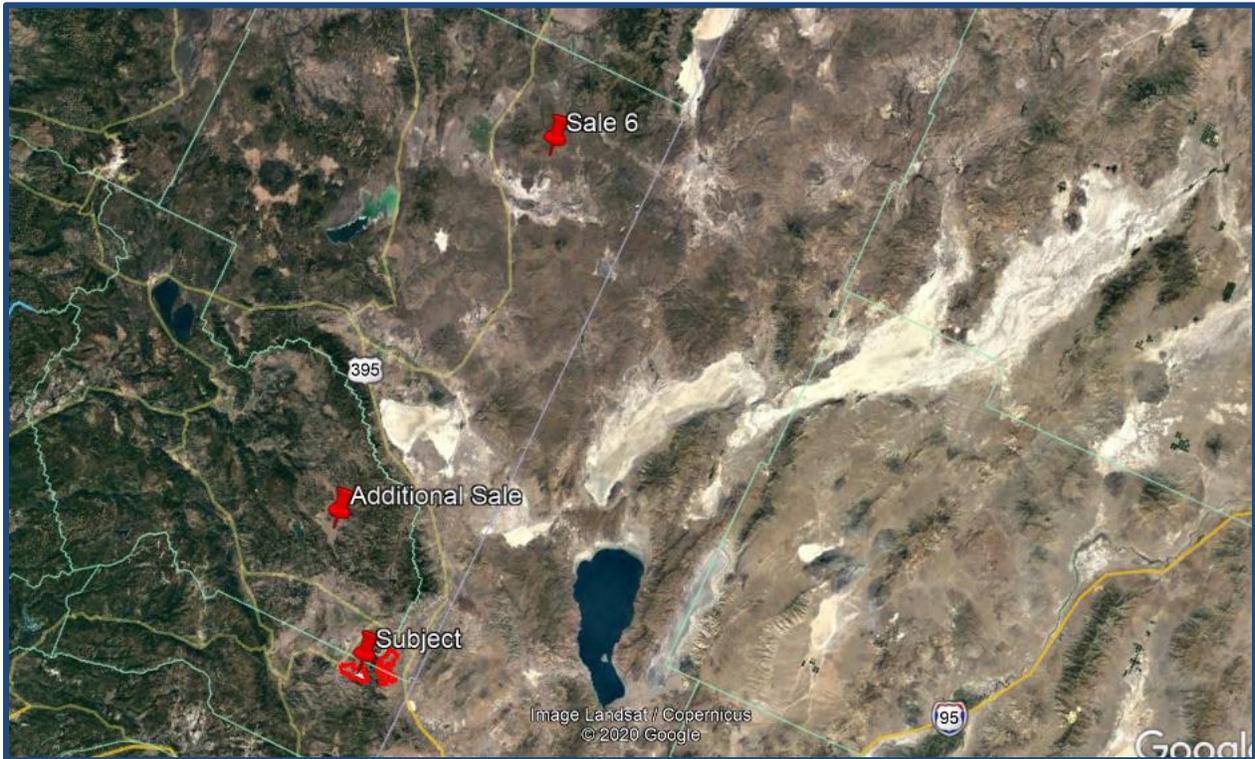
Sale 3 (\$582 per acre) This sale consists of approximately 16,127.82 acres of dry/ native foothill rangeland pasture located 16 miles west of Red Bluff and Interstate 5, south of Highway 36 in Tehama County. The sale is improved with three main farmstead areas that were reportedly modest and offered minimal to no contributory value. The property is perimeter fenced with some cross fencing and is reported to accommodate 700 pair on a seasonal basis. The topography varies from generally flat terrain to steeply rolling/ sloping land and the elevations range from 800'-2,066'. The native cover ranges from open/sparsely oak studded areas to dense brush, thick tree cover and significant rock outcroppings. The property does not receive water from an irrigation district, and there are no ag or deep wells on the property. There are several stock water ponds/reservoirs located throughout the property. Stock water is also derived from three solar powered domestic wells. The property sold for \$9,000,000, with favorable owner financing resulting in a cash equivalency adjustment of \$390,000 per the confirming source.

SALES 4 AND 5



Sale 4 (\$774 per acre) This is the sale of approximately 8,392.80 acres of grazing land that is located west of Williams and west of Arbuckle. The property is improved with a cabin and barn that are of negligible value. The topography ranges from flat, to moderately sloping and undulating, to steep. The carrying capacity for this ranch is reportedly to be around 700 pair per season. PG&E is available in some areas, and stock water is provided by seasonal creeks, ponds, and springs.

Sale 5 (\$775 per acre) Approximately 12,896.46 acres of winter livestock range, with flat and gently sloping, to moderately sloping and undulating, to steep variations in topography. Access to the property is via paved and gravel based public roads. There is no irrigation water available to the property, stock water is provided from creeks, ponds, and wells with troughs. Utilities are minimal with only telephone service available. Electric power is provided by private hydroelectric plant supplied by the creek and backup solar panels. The property is improved with a manufactured home, cabin, powerhouse, and stock barn. The contributory value of the improvements is approximately \$70,000 which is considered negligible at about \$5 per acre overall. Some of the property is within a designated flood zone. This ranch is encumbered by an American Land Conservancy Conservation Easement which is nominally restrictive to (livestock grazing, no subdivision, and limits on residential improvements). The conservation easement has only a minor negative value impact as it does not change the highest and best use of the land. This property is within the Williamson Act.

SALE 6

Sale 6 (\$315 per acre) This is the sale of Dodge Ranch near Ravendale. The ownership totaled 23,500 acres in 27 nearby but non-contiguous parcels that are connected by BLM acreage. The acreage is at 5,000 to 6,000 feet in elevation making it similar to the subject in this regard. The property is improved with three dwellings, one bunkhouse, a shop, haybarn, along with livestock corrals and working facilities. The improvements were reported at \$200,000. Farm equipment was included in the sale which was valued at \$1,600,000. The property had been used for hay production.

An **additional sale** was also considered, but it is quite stale, and confirmation was not complete. It sold in 2014 and consists of about 12,000 acres at about 4,000 to 5,000 feet elevation in the Dixie Valley area about 20 miles north of the subject, plus about 5,100 acres of winter range west of Red Bluff. The sale also included 103,000 acres of adjoining BLM/USFS acreage under lease. The acreage features multiple dwellings, some of which are significant, as well as numerous other smaller structures and improvements. Including the improvements, the gross price is reported at \$586 per acre, but due to the laws in existence at the time, the sale price is not reflected in the deed and cannot be confirmed. We have considered this as an additional sale due to its proximity to the subject and similarity in altitude.

Sales Comparison Analysis

When necessary, adjustments were made for differences in various elements of comparison, including property rights conveyed, financing terms, conditions of sale, expenditures made immediately after purchase, market conditions, location, and other physical characteristics. If the element in comparison is considered superior to that of the subject, we applied a negative adjustment. Conversely, a positive adjustment to the comparable was applied if inferior. A summary of the elements of comparison follows.

Transaction Adjustments

These items are applied prior to the application of market conditions and property adjustments. Transaction adjustments include: Real Property Rights Conveyed, Financing Terms, Conditions of Sale, and Expenditures made immediately after purchase.

Sale 3 involved favorable owner financing, and this has already been adjusted. Sale 5 sold with a conservation easement, but it does not change the highest and best use of the land and the impact on value is not profound. Nonetheless, Sale 5 involved inferior property rights, and it warrants upward adjustment for this factor. None of the other sales required adjustment for these transactional factors.

Market Conditions Adjustment

Market conditions change over time as a result of inflation, deflation, fluctuations in supply and demand and other factors. The sales are arranged in descending order by sale date. The comparables are considered to represent generally recent sale transactions, relatively near the date of value. Furthermore, the market for this type of property has been relatively level, with a slight upward trend. Overall, while no formal adjustment is applied, we have considered the improving general economic trends in our reconciliation.

Property Adjustments

Property adjustments are based on locational and physical characteristics and are applied after the application of transaction and market conditions adjustments. We have summarized our adjustment analyses below. The pertinent elements of comparison and adjustments, if warranted, are based on our market research, best judgment, and experience in the appraisal of similar properties.

We have considered location with regard to proximity to linkages and accessibility. We have also considered the differences in topography, water improvements and structures, and magnitude. Severe topography limits productivity. Water and structural improvements are a factor in value enhancement, and there is a recognized relationship between size and price. Larger magnitude sales will almost universally sell for less per unit of measure than smaller magnitude sales, although this factor can sometimes be offset to some extent by other elements of comparison.

The valuation analyses are summarized in the following ranking array. The sales are arranged in descending order by sale price per acre. In such an array, the indicated value for the subject is shown on the following page below those which require downward adjustment, and above those which require upward adjustment.

RANKING ARRAY

No.	Location	Sale Date	Size (Acres)	Price/Acre	Comment
2	Lowe Trust - Corning Tehama County	2/15/2018	5,379.85	\$1,097	Downward adjustment is required for the smaller magnitude and lower elevation, superior accessibility and year round utility.
1	Lazy Spade - Red Bluff Tehama County	6/8/2018	6,579.28	\$1,060	Downward adjustment is required for the smaller magnitude and lower elevation, superior accessibility and year round utility.
5	Nobmann, LLC - Williams Colusa County	3/27/2017	12,896.46	\$775	Downward adjustment is required for the lower elevation, superior accessibility and year round utility. These offset a slight upward adjustment for inferior property rights.
4	M & R LaGrande - Arbuckle, Colusa County	4/17/2017	8,392.80	\$774	Downward adjustment is required for the smaller magnitude and lower elevation, superior accessibility and year round utility.
3	Peyton Pacific - Red Bluff Tehama County	10/26/2017	16,127.80	\$582	Downward adjustment is required for the lower elevation, superior accessibility and year round utility. These offset a slight upward adjustment for larger magnitude.
Subject	Loyalton Ranch	5/20/2020	10,273.95	\$400	Three acreage components of 4,272, 3,582 and 2,419 acres with the larger portions having access from a public road, and the third being very remote and accessible only via easement.
6	Dodge Ranch	7/22/2016	23,500.00	\$315	Upward adjustment for greater magnitude, and a slight upward adjustment for improved market conditions.

Reconciliation and Conclusion

The sales reflect range of \$315 to \$1097 per acre. Sale 6 is the lowest indicator which is the largest in magnitude. A reasonable value for the subject would be higher than the indication from Sale 6. The highest indicators are Sales 2 and 1, both of which are much smaller in magnitude, and both have superior access and utility. The remaining sales reflect a range from \$582 per acre to \$775 per acre.

All of the sales are agricultural grazeland in nature and offer varying degrees of improvements. Sale 4 (\$774/acre) is closest in size compared to the subject but has superior access. A reasonable value for the subject would be less than \$774 per acre. Sale 3 (\$582/acre) has lower elevation, superior accessibility, and is larger in magnitude. A reasonable value for the subject would lower than \$582/acre. A value of \$400 per acre is concluded.

Sales Comparison Approach Conclusion

Overall, we have concluded that the value of the subject property, as of the effective date of value of May 20, 2020 can be calculated on the basis of \$400 per acre. This figure results in a value indication of \$4,110,000.

Value Indication via Sales Comparison Approach

Total Acres	10,273.95
Value per Acre	\$400
Value Indication via Sales Comparison Approach	\$4,109,580
	<i>rounded</i>
	\$4,110,000

Reconciliation

Only one approach to value was considered applicable, therefore, no formal reconciliation is required.

The indicated value from the applicable approach and our concluded market value for the subject property are summarized in the following table.

Value Indications	
Approach to Value	As Is
Cost	Not Applicable
Sales Comparison	\$4,110,000
Income Capitalization	Not Applicable

Value Conclusion	
Component	As Is
Value Type	Market Value
Property Rights Appraised	Fee Simple
Effective Date of Value	May 20, 2020
Value Conclusion	\$4,110,000
	<i>\$400.04 per acre</i>

The acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith are subject to the General Assumptions and Limiting Conditions contained in the report. Our findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions which might have affected the assignment results:

Extraordinary Assumptions:

- In terms of physical characteristics of the property, we relied on information provided by our client, along with public record information and technology platforms including google earth. It is an extraordinary assumption of the appraisal that the information contained herein is accurate
- Legal access is assumed to exist for each of the three main property components. It is reported that the acreage has been used for grazing of livestock, and the acreage is thus assumed to be suitable for this use.

Hypothetical Conditions:

- None

Exposure Time and Marketing Period

Based on statistical information about days on market, escrow length, and marketing times gathered through national investor surveys, sales verification, and interviews of market participants, similar marketing and exposure time estimates of four to six months are considered reasonable and appropriate for the subject property.

General Assumptions and Limiting Conditions

This appraisal is subject to the following general assumptions and limiting conditions:

1. The legal description – if furnished to us – is assumed to be correct.
2. No responsibility is assumed for legal matters, questions of survey or title, soil or subsoil conditions, engineering, availability or capacity of utilities, or other similar technical matters. The appraisal does not constitute a survey of the property appraised. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.
3. Unless otherwise noted, the appraisal will value the property as though free of contamination. Valbridge Property Advisors | Northern California will conduct no hazardous materials or contamination inspection of any kind. It is recommended that the client hire an expert if the presence of hazardous materials or contamination poses any concern.
4. The stamps and/or consideration placed on deeds used to indicate sales are in correct relationship to the actual dollar amount of the transaction.
5. Unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing in the subject property.
6. The appraiser is not required to give testimony or attendance in court by reason of this appraisal unless previous arrangements have been made.
7. Unless expressly specified in the engagement letter, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Valbridge Property Advisors | Northern California is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser's then current hourly rate plus reimbursement of expenses.
8. The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.
9. The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions. Appraiser is not responsible for determining whether the date of value requested by Client is appropriate for Client's intended use.
10. The sketches, maps, plats, and exhibits in this report are included to assist the reader in visualizing the property. The appraiser has made no survey of the property and assumed no responsibility in connection with such matters.
11. The information, estimates and opinions, which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.

12. Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.
13. No claim is intended to be expressed for matters of expertise that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.
14. This appraisal was prepared for the sole and exclusive use of the client for the function outlined herein. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | Northern California and Client. The Client shall not include partners, affiliates, or relatives of the party addressed herein. The appraiser assumes no obligation, liability, or accountability to any third party.
15. Distribution of this report is at the sole discretion of the client, but third parties not listed as an intended user on the face of the appraisal or the engagement letter may not rely upon the contents of the appraisal. In no event shall client give a third-party a partial copy of the appraisal report. We will make no distribution of the report without the specific direction of the client.
16. This appraisal shall be used only for the function outlined herein, unless expressly authorized by Valbridge Property Advisors | Northern California.
17. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.
18. Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed, nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
19. The flood maps are not site specific. We are not qualified to confirm the location of the subject property in relation to flood hazard areas based on the FEMA Flood Insurance Rate Maps or other surveying techniques. It is recommended that the client obtain a confirmation of the subject property's flood zone classification from a licensed surveyor.
20. If the appraisal is for mortgage loan purposes 1) we assume satisfactory completion of improvements if construction is not complete, 2) no consideration has been given for rent loss during rent-up unless noted in the body of this report, and 3) occupancy at levels consistent with our "Income and Expense Projection" are anticipated.
21. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

22. Our inspection included an observation of the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. We inspected the buildings involved, and reported damage (if any) by termites, dry rot, wet rot, or other infestations as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. Condition of heating, cooling, ventilation, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. Should the client have concerns in these areas, it is the client's responsibility to order the appropriate inspections. The appraiser does not have the skill or expertise to make such inspections and assumes no responsibility for these items.
23. This appraisal does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value conclusion contained in this report is based unless specifically stated to the contrary.
24. When possible, we have relied upon building measurements provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or "as-built" plans provided to us, we have relied upon our own measurements of the subject improvements. We follow typical appraisal industry methods; however, we recognize that some factors may limit our ability to obtain accurate measurements including, but not limited to, property access on the day of inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple story structures, obtuse or acute wall angles, immobile obstructions, etc. Professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this appraisal assignment.
25. We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and/or reliable are used within this report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire more precise measurement, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer) as an alternative source. If this alternative measurement source reflects or reveals substantial differences with the measurements used within the report, upon request of the client, the appraiser will submit a revised report for an additional fee.
26. In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, upon request of the client, the appraiser will submit a revised report for an additional fee.
27. If only preliminary plans and specifications were available for use in the preparation of this appraisal, and a review of the final plans and specifications reveals substantial differences upon request of the client the appraiser will submit a revised report for an additional fee.

28. Unless otherwise stated in this report, the value conclusion is predicated on the assumption that the property is free of contamination, environmental impairment, or hazardous materials. Unless otherwise stated, the existence of hazardous material was not observed by the appraiser and the appraiser has no knowledge of the existence of such materials 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. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required for discovery. The client is urged to retain an expert in this field, if desired.
29. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey of the property to determine if it is in conformity with the various requirements of the ADA. It is possible that a compliance survey of the property, together with an analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in developing an opinion of value.
30. This appraisal applies to the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this appraisal unless specifically stated to the contrary.
31. No changes in any federal, state, or local laws, regulations, or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.
32. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute prediction of future operating results. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance.
33. Any estimate of insurable value, if included within the scope of work and presented herein, is based upon figures developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage. This analysis should not be relied upon to determine insurance coverage and we make no warranties regarding the accuracy of this estimate.
34. The data gathered in the course of this assignment (except data furnished by the Client) shall remain the property of the Appraiser. The appraiser will not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to the appraiser. Notwithstanding the foregoing, the Appraiser is authorized by the client to disclose all or any portion of the appraisal and related appraisal data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable the appraiser to comply with the Bylaws and Regulations of such Institute now or hereafter in effect.

35. You and Valbridge Property Advisors | Northern California both agree that any dispute over matters in excess of \$5,000 will be submitted for resolution by arbitration. This includes fee disputes and any claim of malpractice. The arbitrator shall be mutually selected. If Valbridge Property Advisors | Northern California and the client cannot agree on the arbitrator, the presiding head of the Local County Mediation & Arbitration panel shall select the arbitrator. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, by agreeing to binding arbitration, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury. In the event that the client, or any other party, makes a claim against Valbridge Property Advisors | Northern California or any of its employees in connections with or in any way relating to this assignment, the maximum damages recoverable by such claimant shall be the amount actually received by Valbridge Property Advisors | Northern California for this assignment, and under no circumstances shall any claim for consequential damages be made.
36. Valbridge Property Advisors | Northern California shall have no obligation, liability, or accountability to any third party. Any party who is not the "client" or intended user identified on the face of the appraisal or in the engagement letter is not entitled to rely upon the contents of the appraisal without the express written consent of Valbridge Property Advisors | Northern California. "Client" shall not include partners, affiliates, or relatives of the party named in the engagement letter. Client shall hold Valbridge Property Advisors | Northern California and its employees harmless in the event of any lawsuit brought by any third party, lender, partner, or part-owner in any form of ownership or any other party as a result of this assignment. The client also agrees that in case of lawsuit arising from or in any way involving these appraisal services, client will hold Valbridge Property Advisors | Northern California harmless from and against any liability, loss, cost, or expense incurred or suffered by Valbridge Property Advisors | Northern California in such action, regardless of its outcome.
37. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by Valbridge Property Advisors | Hulberg & Associates, Inc. Neither Valbridge Property Advisors, Inc., nor any of its affiliates has been engaged to provide this report. Valbridge Property Advisors, Inc. does not provide valuation services, and has taken no part in the preparation of this report.
38. If any claim is filed against any of Valbridge Property Advisors, Inc., a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages, and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.
39. This report and any associated work files may be subject to evaluation by Valbridge Property Advisors, Inc., or its affiliates, for quality control purposes.
40. Acceptance and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.
41. The global outbreak of a "novel coronavirus" (known as COVID-19) was officially declared a pandemic by the World Health Organization (WHO). It is currently unknown what direct, or indirect, effect, if any, this event may have on the national economy, the local economy, or the market in which the subject property is located. The reader is cautioned and reminded that the conclusions presented in this appraisal report apply only as of the effective date(s) indicated. The appraiser makes no representation as to the effect on the subject property of this event, or any event, subsequent to the effective date of the appraisal.

Certification – John A. Hillas, MAI, SRA

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

1. The statements of fact contained in this report are true and correct.
2. 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.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. The undersigned has not performed services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. 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 value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. John A. Hillas has personally inspected the subject property.
10. No one provided significant real property appraisal assistance to the person signing this certification.
11. 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 Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, the undersigned has completed the continuing education program for Designated Members of the Appraisal Institute.



John A. Hillas, MAI, SRA
Managing Director
California Certified License #AG002432

Addenda

Glossary

Qualifications

- John A. Hillas, MAI, SRA - Managing Director

Information on Valbridge Property Advisors

Office Locations

Glossary

Definitions are taken from The Dictionary of Real Estate Appraisal, 6th Edition (Dictionary), the Uniform Standards of Professional Appraisal Practice (USPAP) and Building Owners and Managers Association International (BOMA).

Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management, often a long-term lease to a credit tenant. (Dictionary)

Amortization

The process of retiring a debt or recovering a capital investment, typically through scheduled, systematic repayment of the principal; a program of periodic contributions to a sinking fund or debt retirement fund. (Dictionary)

As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Dictionary)

Base Rent

The minimum rent stipulated in a lease. (Dictionary)

Base Year

The year on which escalation clauses in a lease are based. (Dictionary)

Building Common Area

In office buildings, the areas of the building that provide services to building tenants, but which are not included in the office area or store area of any specific tenant. These areas may include, but shall not be limited to, main and auxiliary lobbies, atrium spaces at the level of the finished floor, concierge areas or security desks, conference rooms, lounges or vending areas, food service facilities, health or fitness centers, daycare facilities, locker or shower facilities, mail rooms, fire control rooms, fully enclosed courtyards outside the exterior walls, and building core and service areas such as fully enclosed mechanical or equipment rooms. Specifically excluded from building common area are floor common areas, parking space, portions of loading docks outside the building line, and major vertical penetrations. (BOMA)

Building Rentable Area

The sum of all floor rentable areas. Floor rentable area is the result of subtracting from the gross measured area of a floor the major vertical penetrations on that same floor. It is generally fixed for the life of the building and is rarely affected by changes in corridor size or configuration. (BOMA)

Bulk Value

The value of multiple units, subdivided plots, or properties in a portfolio as though sold together in a single transaction.

Certificate of Occupancy (COO)

A formal written acknowledgment by an appropriate unit of local government that a new construction or renovation project is at the stage where it meets applicable health and safety codes and is ready for commercial or residential occupancy. (Dictionary)

Common Area Maintenance (CAM)

The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property. (Dictionary)

The amount of money charged to tenants for their shares of maintaining a [shopping] center's common area. The charge that a tenant pays for shared services and facilities such as electricity, security, and maintenance of parking lots. Items charged to common area maintenance may include cleaning services, parking lot sweeping and maintenance, snow removal, security, and upkeep. (ICSC – International Council of Shopping Centers, 4th Ed.)

Condominium

A multiunit structure, or a unit within such a structure, with a condominium form of ownership. (Dictionary)

Conservation Easement

An interest in real estate restricting future land use to preservation, conservation, wildlife habitat, or some combination of those uses. A conservation easement may permit farming, timber harvesting, or other uses of a rural nature as well as some types of conservation-oriented development to continue, subject to the easement. (Dictionary)

Contributory Value

A type of value that reflects the amount a property or component of a property contributes to the value of another asset or to the property as a whole.

The change in the value of a property as a whole, whether positive or negative, resulting from the addition or deletion of a property component. Also called deprival value in some countries. (Dictionary)

Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service (DCR = NOI/Im), which measures the relative ability of a property to meet its debt service out of net operating income; also called *debt service coverage ratio (DSCR)*. A larger DCR typically indicates a greater ability for a property to withstand a reduction of income, providing an improved safety margin for a lender. (Dictionary)

Deed Restriction

A provision written into a deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners. (Dictionary)

Depreciation

In appraisal, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.

In accounting, an allocation of the original cost of an asset, amortizing the cost over the asset's life; calculated using a variety of standard techniques. (Dictionary)

Disposition Value

The most probable price that a specified interest in property should bring under the following conditions:

Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.

The property is subjected to market conditions prevailing as of the date of valuation.

Both the buyer and seller are acting prudently and knowledgeably.

The seller is under compulsion to sell.

The buyer is typically motivated.

Both parties are acting in what they consider to be their best interests.

An adequate marketing effort will be made during the exposure time.

Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto; and

The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

Easement

The right to use another's land for a stated purpose. (Dictionary)

EIFS

Exterior Insulation Finishing System. This is a type of exterior wall cladding system. Sometimes referred to as dry-vit.

Effective Date

The date on which the appraisal or review opinion applies. (SVP)

In a lease document, the date upon which the lease goes into effect. (Dictionary)

Effective Gross Income (EGI)

The anticipated income from all operations of the real estate after an allowance is made for vacancy and collection losses and an addition is made for any other income. (Dictionary)

Effective Rent

Total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions; the rent that is effectively paid by a tenant net of financial concessions provided by a landlord. (TIs). (Dictionary)

EPDM

Ethylene Propylene Diene Monomer Rubber. A type of synthetic rubber typically used for roof coverings. (Dictionary)

Escalation Clause

A clause in an agreement that provides for the adjustment of a price or rent based on some event or index. e.g., a provision to increase rent if operating expenses increase; also called *escalator clause*, *expense recovery clause* or *stop clause*. (Dictionary)

Estoppel Certificate

A signed statement by a party (such as a tenant or a mortgagee) certifying, for another's benefit, that certain facts are correct, such as that a lease exists, that there are no defaults, and that rent is paid to a certain date. (Black's) In real estate, a buyer of rental property typically requests estoppel certificates from existing tenants. Sometimes referred to as an *estoppel letter*. (Dictionary)

Excess Land

Land that is not needed to serve or support the existing use. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately. (Dictionary)

Excess Rent

The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties. (Dictionary)

Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying operating expenses above a stated level or amount. (Dictionary)

Exposure Time

The time a property remains on the market. The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal.

Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. (Dictionary)

Extraordinary Assumption

An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

Comment: Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis. (USPAP)

Fee Simple Estate

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. (Dictionary)

Floor Common Area

In an office building, the areas on a floor such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies, and public corridors which are available primarily for the use of tenants on that floor. (BOMA)

Full Service (Gross) Lease

A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called a *full-service lease*. (Dictionary)

Furniture, Fixtures, and Equipment (FF&E)

Business trade fixtures and personal property, exclusive of inventory. (Dictionary)

Going-Concern Value

An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the *market value of the going concern* or *market value of the total assets of the business*. (Dictionary)

Gross Building Area (GBA)

Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.

Gross leasable area plus all common areas.

For residential space, the total area of all floor levels measured from the exterior of the walls and including the superstructure and substructure basement; typically does not include garage space. (Dictionary)

Gross Measured Area

The total area of a building enclosed by the dominant portion (the portion of the inside finished surface of the permanent outer building wall which is 50 percent or more of the vertical floor-to-ceiling dimension, at the given point being measured as one moves horizontally along the wall), excluding parking areas and loading docks (or portions of same) outside the building line. It is generally not used for leasing purposes and is calculated on a floor by floor basis. (BOMA)

Gross Up Method

A method of calculating variable operating expenses in income-producing properties when less than 100% occupancy is assumed. Expenses reimbursed based on the amount of occupied space, rather than on the total building area, are described as "grossed up." (Dictionary)

Gross Retail Sellout

The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as though sold together in a single transaction; it is simply the total of the individual market value conclusions. Also called the *aggregate of the retail values*, *aggregate retail selling price* or *sum of the retail values*. (Dictionary)

Ground Lease

A lease that grants the right to use and occupy land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term. (Dictionary)

Ground Rent

The rent paid for the right to use and occupy land according to the terms of a ground lease; the portion of the total rent allocated to the underlying land. (Dictionary)

HVAC

Heating, ventilation, air conditioning (HVAC) system. A unit that regulates the temperature and distribution of heat and fresh air throughout a building. (Dictionary)

Highest and Best Use

The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical

possibility, financial feasibility, and maximum productivity.

The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS)

[The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions) (Dictionary)

Hypothetical Condition

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

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

Industrial Gross Lease

A type of modified gross lease of an industrial property in which the landlord and tenant share expenses. The landlord receives stipulated rent and is obligated to pay certain operating expenses, often structural maintenance, insurance, and real property taxes, as specified in the lease. There are significant regional and local differences in the use of this term. (Dictionary)

Insurable Value

A type of value for insurance purposes. (Typically this includes replacement cost less basement excavation, foundation, underground piping, and architect's fees). (Dictionary)

Investment Value

The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. (Dictionary)

Just Compensation

In condemnation, the amount of loss for which a property owner is compensated when his or her property is taken. Just compensation should put the owner in as good a position pecuniarily as he or she would have been if the property had not been taken. (Dictionary)

Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires. (Dictionary)

Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease. (Dictionary)

See also Positive Leasehold and Negative Leasehold.

Lessee (Tenant)

One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement. (Dictionary)

Lessor (Landlord)

One who conveys the rights of occupancy and use to others under a lease agreement. (Dictionary)

Liquidation Value

The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a short time period.
- The property is subjected to market conditions prevailing as of the date of valuation.
- Both the buyer and seller are acting prudently and knowledgeably.
- The seller is under extreme compulsion to sell.
- The buyer is typically motivated.
- Both parties are acting in what they consider to be their best interests.
- A normal marketing effort is not possible due to the brief exposure time.
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

Loan to Value Ratio (LTV)

The ratio between a mortgage loan and the value of the property pledged as security, usually expressed as a percentage. (Dictionary)

Major Vertical Penetrations

Stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls. Atria, lightwells and similar penetrations above the finished floor are included in this definition. Not included, however, are vertical penetrations built for the private use of a tenant occupying office areas on more than one floor. Structural

columns, openings for vertical electric cable or telephone distribution, and openings for plumbing lines are not considered to be major vertical penetrations. (BOMA)

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations; term, concessions, renewal and purchase options and tenant improvements (TIs). (Dictionary)

Market Value

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

Buyer and seller are typically motivated.

Both parties are well informed or well advised and acting in what they consider their own best interests.

A reasonable time is allowed for exposure in the open market.

Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and

The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of the Appraisal Foundation)

Master Lease

A lease in which the fee owner leases a part or the entire property to a single entity (the master lease) in return for a stipulated rent. The master lessee then leases the property to multiple tenants. (Dictionary)

Modified Gross Lease

A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense

responsibility must always be specified. In some markets, a modified gross lease may be called a *double net lease*, *net net lease*, *partial net lease*, or *semi-gross lease*. (Dictionary)

Negative Leasehold

A lease situation in which the market rent is less than the contract rent. (Dictionary)

Operating Expense Ratio

The ratio of total operating expenses to effective gross income (TOE/EGI); the complement of the net income ratio, i.e., OER = 1 – NIR (Dictionary)

Option

A legal contract, typically purchased for a stated consideration, that permits but does not require the holder of the option (known as the *optionee*) to buy, sell, or lease real estate for a stipulated period of time in accordance with specified terms; a unilateral right to exercise a privilege. (Dictionary)

Partial Interest

Divided or undivided rights in real estate that represent less than the whole, i.e., a fractional interest such as a tenancy in common, easement, or life interest. (Dictionary)

Pass Through

A tenant's portion of operating expenses that may be composed of common area maintenance (CAM), real property taxes, property insurance, and any other expenses determined in the lease agreement to be paid by the tenant. (Dictionary)

Positive Leasehold

A lease situation in which the market rent is greater than the contract rent. (Dictionary)

Potential Gross Income (PGI)

The total income attributable to property at full occupancy before vacancy and operating expenses are deducted. (Dictionary)

Prospective Future Value Upon Completion

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report. ... The prospective market value –as completed– reflects the property's market value as of the time that development is expected to be complete. (Dictionary)

Prospective Future Value Upon Stabilization

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report ...The prospective market value – as stabilized – reflects the property's market value as of the time the property is projected to achieve stabilized occupancy. For an income-producing property, stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to the market for lease over a reasonable period of time and at comparable terms and conditions to other similar properties. (Dictionary)

Replacement Cost

The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout. (Dictionary)

Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all of the deficiencies, superadequacies, and obsolescence of the subject building. (Dictionary)

Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term *retrospective* does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion." (Dictionary)

Sandwich Leasehold Estate

The interest held by the sandwich leaseholder when the property is subleased to another party, a type of leasehold estate. (Dictionary)

Sublease

An agreement in which the lessee in a prior lease conveys the right of use and occupancy of a property to another, the sublessee, for a specific period of time, which may or may not be coterminous with the underlying lease term. (Dictionary)

Subordination

A contractual arrangement in which a party with a claim to certain assets agrees to make his or her claim junior, or subordinate, to the claims of another party. (Dictionary)

Surplus Land

Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (Dictionary)

TPO

Thermoplastic polyolefin, a resilient synthetic roof covering.

Triple Net (Net Net Net) Lease

An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management; also called *NNN lease, net net net lease, or fully net lease*. (Dictionary)

(The market definition of a triple net lease varies; in some cases tenants pay for items such as roof repairs, parking lot repairs, and other similar items.)

Usable Area

The measured area of an office area, store area, or building common area on a floor. The total of all the usable areas for a floor shall equal floor usable area of that same floor. (BOMA)

Value-in-Use

The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually. (Dictionary)

VTAB

Value of the Total Assets of a Business. The value of a going concern (i.e. the business enterprise). (Dictionary)

Qualifications

Qualifications of John A. Hillas, MAI, SRA
Managing Director
Valbridge Property Advisors | Northern California



Independent Valuations for a Variable World

State Certifications

Certified General RE Appraiser
State of California

Formal Education

B.B.A.
Business Administration
University of Oregon

A.A.S.
Business Administration
Anchorage Community College

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Memberships/Affiliations/Honors

Member	Appraisal Institute
2012 Chair	Appraisal Institute Fall Conference
2009 & 2020 Chair	Appraisal Institute Spring Conference
2008 Chair	Appraisal Institute Region One
2007-08 Director	Appraisal Institute Board of Directors
2004 President	Northern CA Chapter, Appraisal Institute
1998 President	Sierra Chapter, Appraisal Institute
Associate Member	American Society of Farm Managers & Rural Appraisers (ASFMRA)
Expert Witness	Superior Courts of Stanislaus, Merced, Placer and Sacramento Counties

Appraisal Institute Related Courses & Examinations Passed

Appraisal Institute: All courses and examinations required for the MAI and SRA designations, as well as thousands of hours of continuing education.

Speaking Engagements:

Nor-Cal Chapter, Appraisal Institute:

Authored/Presented Workshops:

- "Analyzing Operating Expenses"
- "Adjustments in Valuation Analyses"
- "Appraisal of Small Residential Income Properties"
- "Mastering Marshall – Using Marshall & Swift Cost Data"

Risk Management Association (RMA) Central Valley Chapter:

Authored/Presented Workshop:

- "Real Estate Overview"

California Chapter, ASFMRA

Authored/Presented Workshop:

- "Valuation of Transitional Property"

San Joaquin County Assessor In-house Training:

Authored/Presented Seminar:

- "Valuation of Subdivision Properties"

Related Valuation Experience

Valuation experience includes all sorts of general commercial, industrial, retail, office, multiple-unit residential, existing, and proposed residential, commercial, and industrial subdivisions and transitional land, commercial and agricultural lands including large ranches, orchards, and cropland. Work has been performed for a wide variety of needs including estate planning/filing, lending, condemnation, and general litigation support.

Managing Director

ValbridgePropertyAdvisors | Northern California (2013-Present)
Modesto, California

Senior Vice President, Branch Manager

Hulberg & Associates, Inc. (2007-2013 joined to create Valbridge
Property Advisors in 2013)
Modesto, California

Owner/Appraiser

Sierra Valuation Consultants (1996-2007)
Modesto, California

Senior Appraiser

National Valuation Consultants, Inc. (1995-1996)
Denver, Colorado

Senior Appraiser

San Francisco Federal Savings and Loan (1992-1995)
Modesto, California

Senior Appraiser

Private Real Estate Valuation Firm (1991-1992)
Modesto, California

Appraiser

Stockton Savings Bank (1987-1991)
Modesto, California

Appraiser

Hillas Appraisal Company (1980-1987)
Homer, Alaska



Valbridge
PROPERTY ADVISORS



FAST FACTS

COMPANY INFORMATION

- Valbridge is the largest independent national commercial real estate valuation and advisory services firm in North America.
 - Total number of MAI-designated appraisers: 200+ on staff
 - Total number of office locations: 70+ across U.S.
 - Total number of staff: 675+ strong
- Valbridge covers the entire U.S. from coast to coast.
- Valbridge services all property types, including special-purpose properties.
- Valbridge provides independent valuation services. We are not owned by a brokerage firm or investment company.
- Every Valbridge office is led by a senior managing director who holds the MAI designation of the Appraisal Institute.
- Valbridge is owned by our local office leaders.
- Valbridge welcomes single-property assignments as well as portfolio, multi-market and other bulk-property engagements.

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