Prepared for:

Rutan & Tucker, LLP
Attention: Jeffrey M. Oderman, Esq.
611 Anton Boulevard
Suite 1400
Costa Mesa, CA 92626

APPRAISAL OF
Portion of West Coyote Hills Specific Plan
Approximately 509.1 Gross Acres and
Neighborhoods 1 and 3
Fullerton, California

Prepared by:

LARRY W. HEGLAR & ASSOCIATES
16321 Content Circle
Huntington Beach, California 92649

Date of Value
November 3, 2015

Date of Report
January 11, 2016

LARRY W. HEGLAR & ASSOCIATES

Appraisers and Consultants

16321 Content Circle
Huntington Beach, California 92649
949-307-3486

January 11, 2016

Rutan & Tucker, LLP
611 Anton Boulevard
Suite 1400
Costa Mesa, CA 92626

Attention: Jeffrey M. Oderman, Esq.

Reference: Appraisal of
Portion of West Coyote Hills Specific Plan
Approximately 509.1 Gross Acres and
Neighborhoods 1 and 3
Fullerton, California

Dear Mr. Oderman:

At your authorization and request, I have personally examined and appraised the above referenced property which currently comprises 509.1 gross acres of land in the City of Fullerton, Orange County, California. The purpose of this appraisal is to report to you an opinion of the current fair market value of the "as-is" condition of the property. In addition, separate value opinions have been rendered on Neighborhoods 1 and 3.

The function of this appraisal is for use by the City of Fullerton for the potential purchase of the property that would then be dedicated as permanent open space. The effective date of the appraisal is November 3, 2015.

Data, information, and calculations leading to the value conclusions are incorporated in the report following this letter. The report, in its entirety, including all assumptions and limiting conditions, is an integral part of, and inseparable from, this letter.

No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.

I have performed an appraisal of the subject property, which included:

- an inspection of the subject property;
- a summary of trends in the local market which may impact the value of the property;
- an investigation of market activity involving the sale of land that display similar size, use and utility characteristics;

- an investigation of market activity relative to new home sales in the north Orange County submarket
- an analysis and estimate of market value of the property in its current "as is" condition at date of value.

Recognized appraisal methodology under the Uniform Standards of Professional Appraisal Practice was utilized in performing the investigation and analysis leading to the opinion of market value rendered herein. In addition, this appraisal was made and the report prepared in conformity with the Uniform Appraisal Standards for Federal Land Acquisitions.

Property appraised assumes several Special Assumptions and Hypothetical Conditions. First, the property has historically been utilized in petroleum production. There may be residual contaminated materials on site. It is assumed that the property owner is responsible for all clean-up and certification of any hazardous materials on the site and the property is clean. Secondly, as a part of the analysis as a master planned community, a Development Approach was conducted which, in part, is based on the hypothetical condition of development and costs as well as product and pricing information provided by outside consultants. Finally a Community Facility District (CFD) was assumed for the property. Although a CFD is not currently in place for the subject, this mechanism for financing infrastructure and other development costs in master planned communities is very common and would likely be utilized in the development of the property. Outside consultants pricing recommendations were based on CFD financing along with cost estimates.

Based upon the examination and study made, the following opinion of market value has been formed, as of the date referenced.

MARKET VALUE CONCLUSION

WEST COYOTE HILLS SPECIFIC PLAN (Less Neighborhood 2)

ONE HUNDRED FIFTY MILLION DOLLARS
($150,000,000)

NEIGHBORHOOD 1

NINE MILLION FOUR HUNDRED THOURSAND DOLLARS
($9,400,000)

NEIGHBORHOOD 3

NINE MILLION THREE HUNDRED THOUSAND DOLLARS
($9,300,000)

Following is an appraisal report, which sets forth the matters, data, conclusions, and limiting conditions upon which the opinions rendered are predicated. Assuming the foregoing estimate of market value, based upon the sale of similar properties, I am of the opinion that a reasonable ***Exposure Time*** for the subject property, assuming the "As Is" condition, would be approximately nine to twelve months.

Respectfully submitted,

LARRY W. HEGLAR & ASSOCIATES

Larry W. Heglar, MAI

LWH

Summary of Salient Facts and Conclusions

Property Location:	Northwestern portion of City of Fullerton, Orange County Thomas Guide Map Location: 738 B, C, D, E & F: 2 & 3
Ownership:	Pacific Coast Homes
Property Type:	Vacant land
Date of Value:	November 3, 2015
Date of Report:	November 30, 2015
Interest Appraised:	Unencumbered Fee Interest
Current Use:	Vacant Land
Land Area:	Gross area of 509.1 Acres
Improvements:	None
Proposed Development:	Up to 760 residential units/lots, 5.2 acre Retail Village, 17.1 acre Multiple Use site, 1.3 acre Fire Station site and 282.9 acres of Open Space.
Highest & Best Use:	Residential subdivision to Master Planned Community

Sales Comparison Approach:	***$160,000,000***
Land Development Analysis:	***$144,200,000 to $159,100,000***
Concluded Market Value:	***$150,000,000***
Neighborhood 1:	***$9,400,000***
Neighborhood 3:	***$9,300,000***

Special Assumptions & Hypothetical Condtions:

Special Assumption: A cost estimate was completed on the West Coyote Hills Specfic Plan by The Moote Group, dated July 10, 2013 and updated September 15, 2015. Estimates from the updated study were utilized in the analysis of the subject property. The Moote Group estimate did not have improvement plans detailing quantities as improvement plans were not completed as of date of value. Estimates were based on the best available information at the time and industry standards.

These estimates seem reasonable based on a review of cost estimates on other land development projects. The Moote Group has a good reputation and extensive experience in estimating land development costs. I am not a cost estimator and it is assumed that the costs provided are reasonable and correct. Should actual costs differ substantially from these costs there would likely be an impact on the value conclusions.

Entitlements for West Coyote Hills Specific Plan are complete with an Approved Vesting Tentative Tract Map (VTTM No. 17609) along with Approved Specific Plan (Amendment No. 8). It is assumed that development of the property would proceed pursuant to this entitlement upon satisfying the conditions of the map.

Currently a Biological Opinion survey for the U.S. Fish and Wildlife Service needs to be completed and approved prior to all jurisdictional requirements being satisfied. Once this survey is approved only the satisfaction of map conditions are needed prior to starting development. It is assumed that this survey is completed and approved.

Hypothetical Conditions: It is considered that hypothetical conditions, as a general rule, that result in another value than the "as is" market value are not conditions acceptable for Federal Land Acquisitions.

Subject property historically has been utilized as an oil production field with wells located throughout. It is assumed that the land is free of any hazardous materials as a result of former petroleum operations and that the land is suitable to development to its highest and best use. Subject property is a large parcel with almost 510 acres. Other parcels, smaller than the subject that have been utilized for petroleum production, have been developed in Southern California after wells were capped and land was mitigated, typically by the owner/seller. It is therefore believed that this condition is reasonable to accept in the analysis of the subject property.

A Community Facility District (CFD) doesn't currently exist on the subject property. CFD's are commonly utilized mechanisms utilized in the financing of infrastructure improvements and other development costs in large land development projects. Although not currently in place a CFD would likely be utilized in the development and an independent marketing study by The Concord Group estimates product and pricing assuming CFD financing.

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LOCATION AND BRIEF PROPERTY DESCRIPTION

Property is located in far northwest corner of the City of Fullerton, Orange County. It is adjacent to the City of La Mirada (Los Angeles County) on the west and the City of La Habra (Orange County) on the north.
Thomas Guide Map Location: 738 B, C, D, E & F; 2 & 3

Overall the property consists of a somewhat linear shaped parcel of land totaling 509.1 gross acres. It is proposed that the subject property or portions will be dedicated as permanent open space. Current entitlements allow development of up to 760 residential units and a 5.2 acre "Village Retail" site.

PURPOSE OF APPRAISAL

The purpose of this appraisal is to report an opinion of market value of the indicated interest in the subject property that is proposed to be dedicated as permanent open space to the City, a conservancy or agency.

The purpose of this report is to set forth the data, analyses, and conclusions relative to an opinion of market value of the property is its "As Is" condition, subject to certain assumptions and limiting conditions set forth in this report.

INTENDED USE/USER OF APPRAISAL

The intended use of this appraisal is to estimate market value of the property to ascertain the price of land to be sold for dedication as permanent open space. The appraisal is to be used by the client and/or their assigns. No other parties are authorized to rely on this report without the prior written consent of the appraiser.

VALUE PREMISE PROVIDED

The subject property has been appraised assuming its "As Is" value as if sold to a single buyer based on the property's Highest and Best Use.

DECLARATION

I do hereby declare and represent that based on my background, experience, education and membership in professional organizations, I am qualified to make appraisals of the type of property being that is the subject of this appraisal.

SUMMARY OF APPRAISAL PROBLEM

Subject property is a large parcel of land located in a suburban location that has demonstrated strong residential demand over the years. Few similar sized parcels have transferred that are directly comparable to the subject. This is because similar size land holdings are typically held by three major land owners that plan, subdivide, develop and sell land to merchant builders for individual subdivisions. Some sales data of comparable property were found that assist in estimating the value by Direct Comparison.

Subject property is entitled with an Approved Vesting Tentative Tract Map. The property is close to a condition whereby legal parcels will be salable to builders similar to the above mentioned land holding by the major land owners. Once map conditions are satisfied the AVTTM can be finalized, recorded and legal parcels sold to builders. Because of the current entitlement condition of the property, current development cost estimates and a market study recommending home product and pricing, a Development Approach or Land Residual Analysis was conducted as well.

This approach consisted research into the sale/acquisition of land by builders and a survey of new home product to verify/confirm the product pricing as recommended in the market study.

In the Development Approach a market study conducted by The Concord Group was reviewed and utilized in estimating product pricing for proposed residences for the various neighborhoods/planning areas. The results of the market study were verified by a field inspection of new home product in the north Orange County submarket.

Development cost estimated completed by The Moote Group were also reviewed an utilized in estimating net revenues that potentially can be obtained in the sale of land to merchant builders. The Moote Group has a strong reputation in the Southern California market and provides cost estimating services to a large client base of developers, lenders and builders. Overall cost estimated were generally confirmed in interviews with The Irvine Company and LNR/Five Points.

SCOPE OF APPRAISAL

This is an appraisal report that has been prepared in accordance with the Code of Ethics and Standards of Professional Practice of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation. In addition the report has been prepared consistent with the requirements of the Uniform Appraisal Standards for Federal Land Acquisitions.

The performance of this assignment involved a complete appraisal investigation, including the appropriate approaches to value, which are reflective of the type of property appraised. I have completed an investigation of recent land sales both purchased for land development as well as individual subdivision development by builders. I have also investigated the sale of new homes in the north Orange County submarket. The subject property and the surrounding neighborhood was inspected in order to ascertain the condition of the property, as well as the environment in which the property is located. The Sales Comparison Approach and Land Development Analysis were considered the most meaningful approaches in estimating market value for the subject property.

The final step in the appraisal process is the reconciliation of the approaches and data gathered to determine the final value estimate. All sections of the appraisal report are structured to show the reasoning and justification utilized in the estimate of highest and best use and opinion of value. The "Addenda" section of the report contains information supportive of the appraisal.

DATE OF VALUE

Opinions and matters expressed in this report are stated as of November 3, 2015. The report is dated January 11, 2016.

DATE OF INSPECTION

The subject property was last inspected on November 3, 2015.

DATE OF COMPARABLE INSPECTION

All comparable data referenced in this report was inspected in the field between September 1, 2015 and October 15, 2015.

DEFINITIONS

Market Value

The term ***"market value"*** as required for Federal Land Acquisitions and as used in this report is defined and qualified as being:

"the amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of the appraisal, after a reasonable exposure time on the open competitive market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property at the time of the appraisal."

Aggregate Retail Proceeds
The sum of the appraised values of the individual units, as if all of the units were completed and available for retail sale, at date of value. The sum includes an allowance for lot premiums, when applicable. This is not the market value of the project in bulk.

Blue-top Lot
Typically a lot or pad which has been graded and certified and is ready for construction. No additional grading required to construct the building. Streets and utilities not necessarily constructed.

Bulk Value
The value of a group of lots, parcels, or homes to a single purchaser, on a specified date, under the terms and conditions of the definition of market value.

Discounted Cash Flow (DCF) Analysis
The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams as well as the quantity and timing of the reversion and discounts each to its present value at a specified yield rate.

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

Finished Lot
The term finished lot, as commonly used by merchant builders in Southern California, is defined as a graded and ready-to-build residential home site with streets and utilities completed to the parcel boundary and all fees paid except for building permit fees. All conditions of the Tentative Tract Map have been satisfied and a Final Map has been recorded. Lots are graded to a finished pad condition and have been certified by a licensed engineer and approved by the local jurisdiction. All utilities have been installed and stubbed to the lot lines with all storm drains, street paving, curbs, gutters, sidewalks, driveway approaches, perimeter walls, lights, signs, monuments and meters installed pursuant to all conditions of approval according to the approved map.

Finish Lot Cost
The costs per lot for all improvements, grading and fees that would be required to service the lot to a finished lot condition.

Gross Site Area
Typically includes the entire boundary of a parcel, including future dedication, slopes and easements. Sometimes includes to the centerline of adjacent public roadways even though purchase of the parcel may be to the sidelines.

Highest and Best Use
The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility and maximum productivity. Alternatively, the probable use of land or improved property-specific with respect to the user and timing of the use-that is adequately supported and results in the highest present value.

Marketing Time
The length of time it would take to sell the property if it were placed on the market on the date of the "As Is" value. Marketing time begins on the date of the "As Is" value."

Market Value "As Is"
An estimate of the market value of a property in the condition observed upon inspection as it physically and legally exists.

Net Site Area
Net site area excludes all existing and required roadway dedications. It may also exclude on-site easements if they would prohibit construction.

Off-Site Improvements
In a single family detached subdivision, off-site improvements include all off-site streets, utilities, stubbed to the overall property line necessary to service the lot. Private streets and utilities that would be maintained by the Homeowner's Association (HOA) may be included in the off-site or the on-site improvements.

On-Site Improvements
In a single family detached subdivision, interior streets and utilities, the property line walls, sidewalks, common area landscaping and area drains would be included on the on-site improvements. On a condo/townhome project the recreation center, greenbelt landscaping, walks and patio fencing are also included. Sometimes called "In-Tract" improvements.

Super Pad
A mass graded pad which is created in order to create earthwork balances within future subdivision parcels. Requires additional grading prior to building construction, may require additional mapping and may require additional entitlements. A rough-graded site with roads and utility lines extended to the boundary of the parcel.

PROPERTY RIGHTS APPRAISED

The property rights appraised in this report are those of the ***fee simple interest*** in the property described:

"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."

Source: The Dictionary of Real Estate Appraisal, Fourth Edition, Appraisal Institute

CONDITION OF EMPLOYMENT

This appraisal was performed in accordance with an email from Mr. Jeffrey M. Oderman at Rutan & Tucker, LLP, dated August 20, 2015. The appraisal assignment was not conditioned on a requested minimum valuation, a specific valuation, or approval of a loan.

POSSIBILITY OF CHANGE

The value opinions expressed in this report are based upon my knowledge of conditions as of the date of value set forth. Constantly changing economic, social, political and physical conditions have varying effects upon real property values. Even after the passage of a relatively short period of time, property values may require a review based on changing market conditions.

LEGAL DESCRIPTION

A detailed legal description was not provided on this assignment. The property is generally described as portions of Sections 16, 17 and 18 of Township 3 South, Range 10 West, in the Ranchos La Habra Los Coyotes and San Juan Cajon de Santa Ana in records of Orange County California. The property can also be described as approved Vesting Tentative Tract No. 17609.

OWNER OF RECORD & PROPERTY HISTORY

The land is held in the name of Pacific Coast Homes. There have been no sales of the subject property in the past three years and it is not currently listed for sale.

Entitlement processing for the property has a long history going back to 2003 when the first proposal for development was submitted to the city. Environmental documents were processed during subsequent years with approvals of Specific Plan and, on October 22, 2015, Vesting Tentative Tract Map No. 17609 was approved by the Planning Commission. The approval was subsequently appealed and has how been approved by the Fullerton City Council on November 17, 2015.

COMPLIANCE WITH APPRAISAL REGULATIONS

This appraisal report has been prepared in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards Board of the Appraisal Foundation. It has also been prepared in conformance with the Uniform Appraisal Standards for Federal Land Acquisitions.

Location Map

LARRY W. HEGLAR, MAI

REGIONAL DATA

The subject property is located in north/central Orange County. The county encompasses a total of about 798 square miles, which include 42 miles of coastline along the Pacific Ocean. It is bordered by San Diego County to the south; Riverside and San Bernardino Counties to the east; Los Angeles County to the north; and the Pacific Ocean to the west. Orange County is generally segregated into three major areas known as North Orange County, Central Orange County, and South Orange County. Natural terrain for the county varies from level coastal plain to the Santa Ana Mountains.

Population

Orange County has experienced increasing population for several decades and is anticipated to continue to do so in the foreseeable future. Per the California Department of Finance, the January 1, 2015 (most recently published) population was 3,147,655. This represents an increase of 1.1% over the previous year and an average growth rate of approximately 1.2% over the past eight years. This compares to growth of over 3% per year in adjacent Riverside County over the same time period. Slower growth in Orange County is due to the county's built-out character rather than a slow-down in population growth. Per the Center for Demographic Research projections, the population is anticipated to reach approximately 3.5 million by 2020; an average annual increase of 1.5 percent.

Housing

The Orange County housing market has finally recovered from the fallout of the national financial meltdown of 2008 and the housing market debacle of the past few years. Lately there have been signs of improvement with most zip codes in the county showing price and sales increases.

The Orange County Register reported on November 1, 2015 that out of 3,202 sales in the previous month the median price of all homes went up 6% over the same month the year before. Median price was reported at $615,000 for all homes, $675,000 for resale homes, $425,000 for resale condominiums and $874,500 for new homes. Median prices for new homes were reported to have increased by 16.4% over the previous year.

Sales volumes have also increased over the previous year. The 3,202 sales represent an 11.1% increase over the previous year of 2,881 sales for the same month. New home sales were only up by 0.3% whereas resale condominiums were up by 17.6% and resale detached homes up by 10.%.

Historically housing growth has paralleled population growth. The 2000 Census reported the County had 969,484 housing units and increased at an average rate of 0.76% per year over ten years. Based on projections of housing units in 2020, at 1,122,905 suggests an increase in housing units at an average annual growth rate of 0.7%.

Several years ago in Orange County, housing became more affordable than it had been in almost a generation with price reductions from the peak of the market and historically low interest rates. Interest rates are still at historical lows but price increases over the past few years has made housing in Orange County less affordable, especially for the first time buyer.

According to Real Estate Research Council of Southern California (RERCSC), as of June, 2015, the median price for all homes in Orange County was $627,387. Median new home price for the County was $835,000 and existing home median was $600,873. This included the median prices for existing condominiums and townhomes as well as detached homes.

Employment/Economy

Today Orange County is a major job center and although a number of County residents still commute into Los Angeles County for employment, about the same number of people commute from Los Angeles County into Orange County for work (160,279 people commute from LA into OC and 185,145 commute from OC into LA). In addition, Riverside and San Bernardino Counties have become the bedroom communities for Orange as well as Los Angeles County due to availability of land and relatively lower home prices.

State Employment Development Department (EDD) indicates that Orange County's jobless rate was 4.0% as of September, 2015. By contrast, California's unemployment rate for September was 5.5%. This is a decrease from January, 2014 when the State rate was 7.0% and the county was 5.8%. Orange County fares well with only five other counties in the State showing lower unemployment levels.

In October 2008 the national economy was shaken by the failure of several national banks and insurance companies, due to loan failures in connection with sub-prime financing and the housing downturn. This created a panic in the financial markets around the world. The Dow Jones Industrial Average fell over 40% between January 2008 and early 2009 when the market seemed to gain its balance once again. October 2008 saw historical daily declines in the Dow. The Federal government rescued several banks that were considered "too big to fail" along with several auto-makers. FDIC took over more than 100 banks after the recession started. Fannie Mae and Freddy Mac were rescued by the Federal Government in an attempt to stave off further losses.

In November 2008 the government and Federal Reserve took steps to stabilize the financial system and restore confidence in the markets by passing an economic package known as the Troubled Asset Relief Program (TARP). Under TARP the government provided capital investments in exchange for equity stakes in participating banks in order to loosen credit conditions. In early 2009, the new administration passed additional stimulus packages which were projected to help kick-start the economy. One of the stimulus packages announced in February 2009 had a goal to help three to four million troubled borrowers with modified home loans. As of July 2009, Treasury Department officials extracted a pledge from 25 mortgage company executives to improve their efforts with a goal of helping 500,000 borrowers by November, 2009. Thus far the stimulus packages have had little effect and many are pessimistic that anything can be done to correct the financial debacle other than just "waiting it out."

Transportation

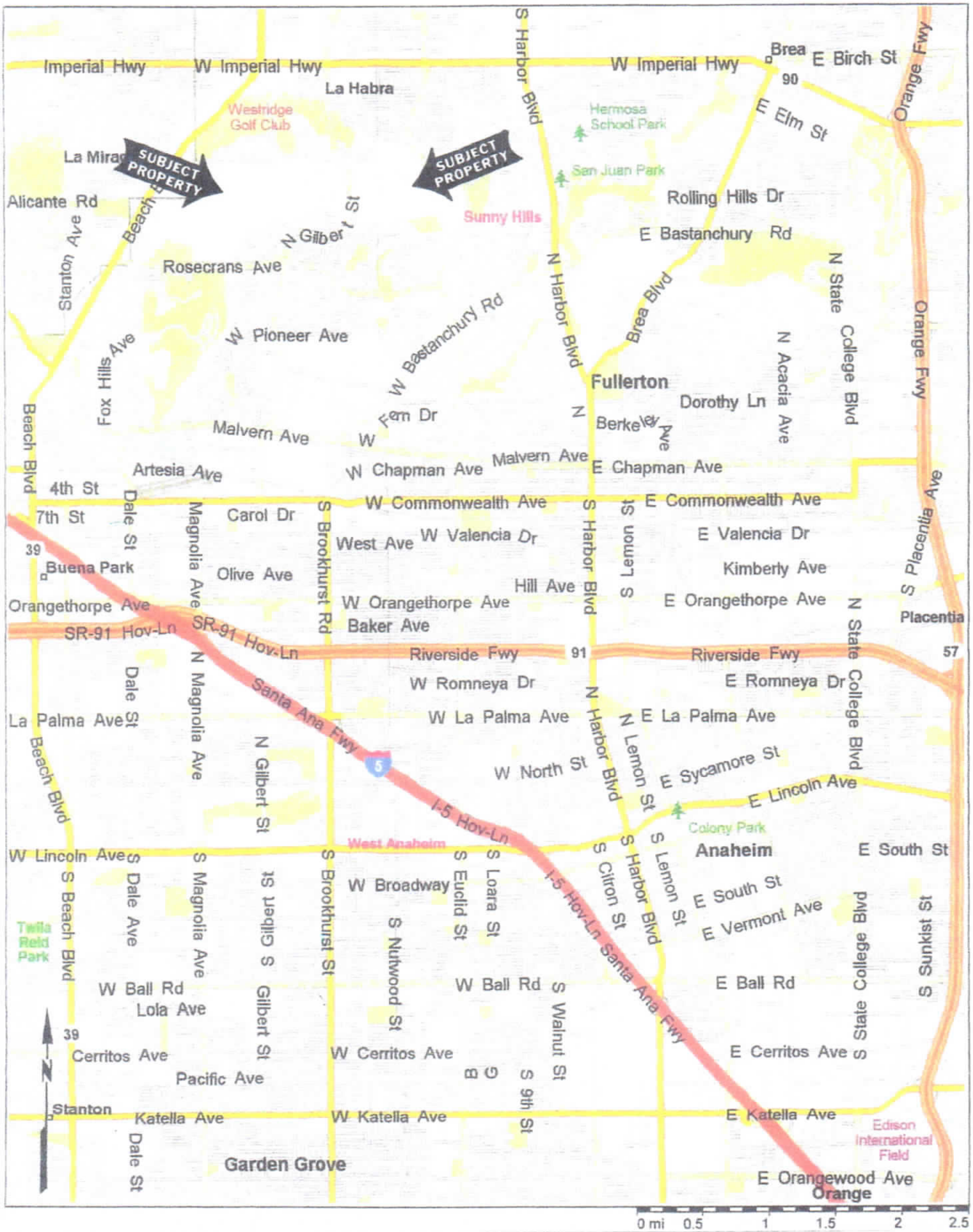
Transportation throughout the County is provided mainly by an extensive freeway system, a toll road system, a commercial airport, public bus service, Amtrak passenger rail service and freight rail lines.

By far the most widely used transportation in Orange County is the automobile. In 1991, voters approved Measure M which provided for a one-half cent sales tax increase to help for transportation demands in the County. As a result, many of the Orange County freeways have recently been or are currently being upgraded. Prior to opening the Foothill Transportation Corridor, the only access to inland South Orange County was via El Toro Road, which was extremely congested. Currently the Foothill Corridor helps alleviate this traffic problem making inland South Orange County more accessible. The corridor is anticipated to be constructed to the San Clemente area eventually. In addition, San Joaquin Hill Transportation Corridor is a toll road that provides a direct route between Newport Beach and Laguna Hills/Laguna Niguel making the commute approximately half the mileage and time which was previously needed. A third toll road is known as the 241 Corridor and provides direct access from the Riverside, State Route 91 Freeway in the Anaheim Hills/Corona area to Jamboree Road in Tustin. All three of these new corridors are toll roads, which help alleviate traffic congestion on Interstate 5, Interstate 405, State Route 91 and State Route 55 Freeways.

Conclusion

Orange County has benefited from its desirable location, favorable climate, extensive recreation amenities and employment opportunities. Population and housing gains have grown steadily due to these factors coupled with a diversified economy. The County began to exhibit signs of recovery from the 1990's recession in 1995 with a stronger recovery with 1996 through 2006 showing exceptional economic strength. Year 2007 saw the fallout in the housing market due to non-conventional mortgages, significant sales declines and price decreases with 2008 following with the global financial meltdown. Current economic conditions are the best they've been in the past three years as it appears the recession has ended; however, economists do not expect substantial growth for several years. That being said, Orange County is still expected to continue to grow due to its Southern California location and major job market. The long term forecast for the County is therefore considered favorable.

City Map



LARRY W. HEGLAR, MAI

CITY DESCRIPTION

The City of Fullerton is located in the northern portion of Orange County and is about 25 miles southeast of Los Angeles and 11 miles north of the County seat, Santa Ana. It is the 6th largest city in the county and with an area of 22.36 square miles, the current population is equivalent to 6,308 persons per square mile. It is one of the older cities, founded in 1887 and incorporated in 1904. Historically it was a center for citrus and oil production. Oil production began in 1880 with the discovery of the Brea-Olinda Oil Field.

Fullerton is bounded by La Habra and Brea on the north, Placentia on the east, Anaheim on the south, Buena Park on the west and La Mirada (Los Angeles County) on the northwest. It has a Mediterranean climate with warm summers, cool winters with most rainfall coming during the winter months. Mean temperature is 62.2 degrees Fahrenheit. Moderating this climate is the Pacific Ocean about fifteen miles to the south.

Like many areas in Southern California, Fullerton experienced tremendous growth after World War II with a 302.5% increase in population during the decade to the '50's. Once Interstate 5 was constructed the City along with Anaheim and other areas along this path of growth saw much development. The City has a diverse collection of neighborhoods and communities as a result of this growth. Generally the western and northern portions of the City are the more affluent and the southern portions are notable as older and less affluent neighborhoods.

Population

As of the 2000 Census the population was 135,161 and most currently, as of January 1, 2015 the population as reported by the State Department of Finance at 141,042, which is a 0.7% increase over the previous year and a 4.4% increase since the most recent Census. The following chart summarizes the city's population growth.

Census	Population	%	Census	Population	%
1910	1,725	--	1970	85,987	53.1
1920	4,415	155.9	1980	102,246	18.9
1930	10,860	146.0	1990	114,144	11.6
1940	10,442	-3.8	2000	126,003	10.4
1950	13,958	33.7	2010	135,161	7.3
1960	56,180	302.5	2015	141,042	4.4

Population growth is slowing when compared to the past history of the City. Based on the most recent information from the City's Community Profile, there were 46,208 households residing in the City in 2014 in 48,796 household units. The average household size was 2.92. Fullerton's population is relatively young compared to the rest of the county with a median age in 2014 of 35.1 years.

Median household income according to the City's Community Profile was $65,849 in 2014 and projected to grow to $77,439 by 2019. Per capita income was reported at

$30,605 in 2014 and projected at $35,436 by 2019. The 2010 Census estimated that 14.6% were living below the federal poverty line.

Employment

As of September 2015, the City of Fullerton had a labor force of 71,200 persons according to the State Department of Employment Development. Unemployment was reported at 4.6% compared to the state-wide rate of 4.0%. The top employers are shown on the following table.

Summary of Major Employers

Employer	No. of Employees
California State University, Fullerton	3,821
St. Jude Medical Center	2,928
Raytheon	1,446
Fullerton School District	1,286
Fullerton College	1,094
Fullerton Joint Union H.S. District	1,078
Alcoa Fastening Systems	975
Albertsons	800
City of Fullerton	631
Kraft Foods	550

The major commercial/industrial area in the City is located just north of the southerly boundary of the City, the State Route 91 Freeway. This industrial/commercial tract runs to the east through the City of Anaheim and portions of the City of Orange. It also parallels the Interstate 5 up into Los Angeles County.

Transportation

Fullerton is well located in terms of freeway access with the Santa Ana Freeway (Interstate-5), Orange Freeway (State Route-57) and Riverside Freeway (State Route-91) either running through or running adjacent to the City. Interstate-5 runs diagonally in a northwest/southeast at the southwesterly corner of Fullerton. State Route-91 runs east/west along the southern boundary of the City and State Route 57 is located in the eastern part of the city and generally follows the eastern boundary.

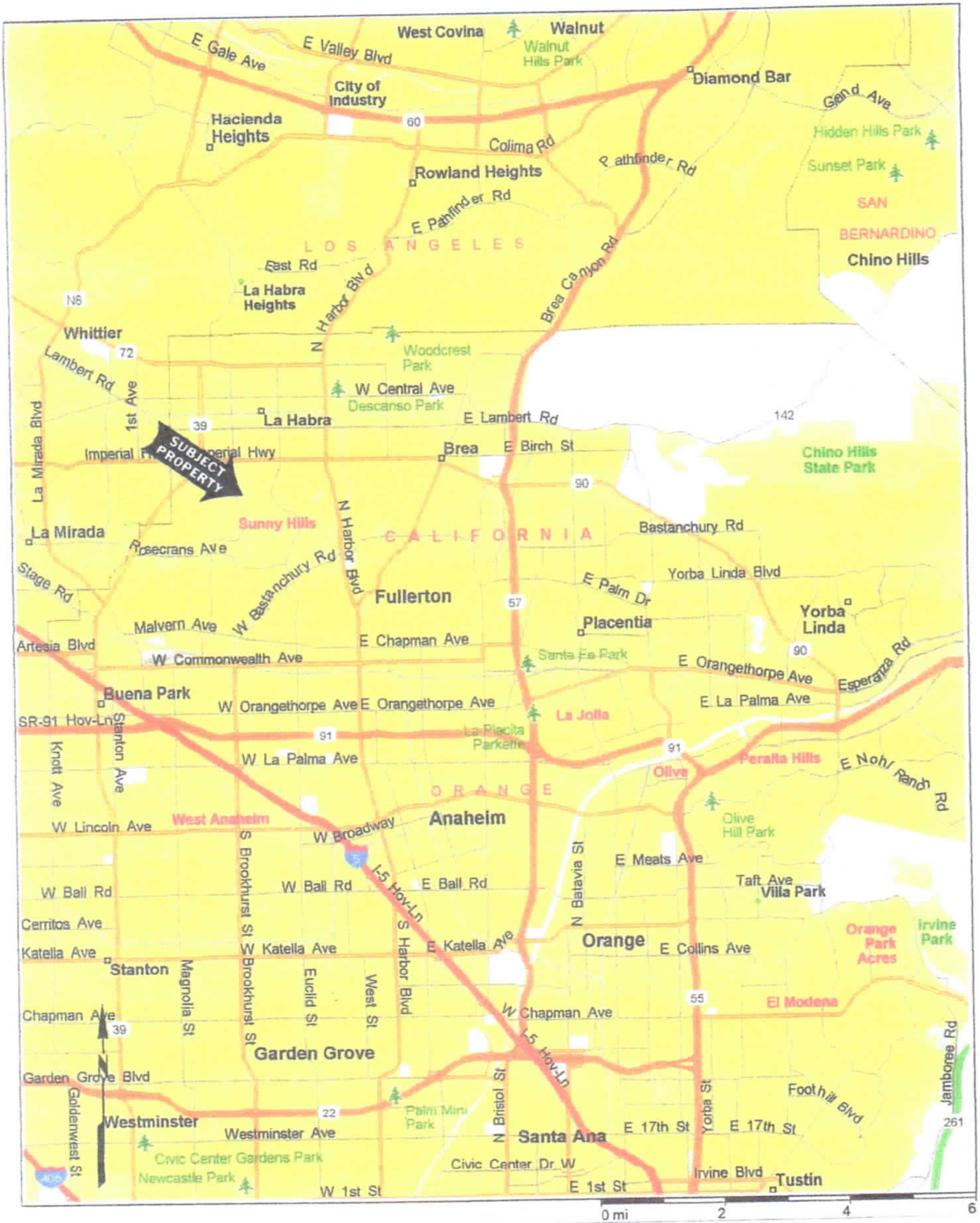
Fullerton is about equidistant from both John Wayne Airport located about 17 miles south and Long Beach Airport about 15 miles west. Los Angeles International Airport is about 30 miles to the west and Ontario International is about 35 miles north. Fullerton has its own municipal airport, the only remaining municipal facility in the county. This facility is the last remnant of the Hughes Aircraft Company that was prominent in the aerospace industry.

Fullerton is bisected by the BNSF Railway. The Fullerton Transportation Center is located in downtown and also serves as a major bus depot for the Orange County Transportation Authority (OCTA).

Conclusion

Fullerton has seen redevelopment of some the downtown area and is generally considered a well-managed community. The City, except for the subject property, is mostly "built-out" with future growth typically on already developed properties that are being redeveloped with newer, more productive land uses. Fullerton has projections for growth in the future similar to surrounding areas in Southern California. In conclusion, the City is expected to continue to grow and develop at a modest rate.

Area Map



West Covina
Walnut
Walnut Hills Park
E Gale Ave
E Valley Blvd
City of Industry
Diamond Bar
Hacienda Heights
60
Colima Rd
Rowland Heights
Pathfinder Rd
E Pathfinder Rd
Hidden Hills Park
Sunset Park
SAN BERNARDINO
LOS ANGELES
East Rd
La Habra Heights
N Harbor Blvd
Brea Canyon Rd
Chino Hills
Whittier
72
Lambert Rd
Woodcrest Park
W Central Ave
Descanso Park
La Mirada Blvd
1st Ave
39
La Habra
E Lambert Rd
142
Imperial Hwy
SUBJECT PROPERTY
Brea
E Birch St
90
Chino Hills State Park
Sunny Hills
N Harbor Blvd
CALIFORNIA
Bastanchury Rd
La Mirada
Rosecrans Ave
W Bastanchury Rd
Stage Rd
Yorba Linda Blvd
E Palm Dr
Fullerton
57
Yorba Linda
Malvern Ave
Placentia
Artesia Blvd
E Chapman Ave
W Commonwealth Ave
Santa Fe Park
E Orangethorpe Ave
Esperanza Rd
Buena Park
W Orangethorpe Ave
E Orangethorpe Ave
La Jolla
E La Palma Ave
SR-91 Hov-Ln
Stanton Ave
91
La Placita Parkette
Knott Ave
W La Palma Ave
Olive
Peralta Hills
E Nohl Ranch Rd
ORANGE
W Lincoln Ave
West Anaheim
W Broadway
Anaheim
Olive Hill Park
S Brookhurst St
N Batavia St
E Meats Ave
5
I-5 Hov-Ln
Taft Ave
Villa Park
W Ball Rd
W Ball Rd
E Ball Rd
Cerritos Ave
S Harbor Blvd
Orange
E Collins Ave
Orange Park Acres
Irvine Park
Katella Ave
Stanton
W Katella Ave
E Katella Ave
Magnolia St
S Brookhurst St
Euclid St
West St
55
El Modena
Chapman Ave
W Chapman Ave
Jamboree Rd
Garden Grove
I-5 Hov-Ln
Garden Grove Blvd
Goldenwest St
N Bristol St
Foothill Blvd
Westminster
22
Palm Mini Park
Yorba St
Westminster Ave
Santa Ana
E 17th St
E 17th St
261
Civic Center Gardens Park
Civic Center Dr W
Irvine Blvd
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IMMEDIATE SURROUNDINGS

The subject property is located on the westerly side of Fullerton generally surrounded by middle-class residential neighborhoods, including guard-gated communities. This area includes some of the better neighborhoods of both Fullerton and La Habra along with La Mirada in Los Angeles County.

North

Westridge Golf Club, gated residential neighborhoods and Vista del Valle Park are located immediately north of the subject. These areas are within the city of La Habra and much of this land, like the subject site, consists of rolling terrain with homes offering views. Less than a mile north major commercial development is located along Imperial Highway between Beach Boulevard and Euclid Street. Westridge Plaza is at the southeast corner of Beach and Imperial and has as major tenants; Lowes, Walmart, Staples and Bed, Bath & Beyond. At the southeast corner of Imperial and Idaho Street is another retail center anchored by Target. Also at this location is a Ross Dress for Less, Sports Authority, Regal Cinema, Smart & Final and Wells Fargo. Imperial Middle School is also at this location. An industrial tract is located along the north side of Imperial Highway, east of Euclid Street. The Los Angeles/Orange County boundary is about three miles north with the La Habra Hills, low density community and Hacienda Golf Club

East

Adjacent on the east side of the subject property is the Sunny Hills Church of Christ as well as the Church of Jesus Christ of Latter day Saints both along Euclid Street. Laguna Lake Park and the Fullerton Riders Corral and Trail is at the corner with Lakeview Drive and Euclid Street with Laguna Lake just to the east of the park. This is considered "Sunny Hills" consisting of low-density, good quality residential neighborhoods. Harbor Boulevard is less than one-half mile east and is one of the major north/south arterials running through Orange County. At its corner with Bastanchury Road is the major Saint Jude Medical Center with medical offices and ancillary medical uses surrounding the corner. Also at this location is the Fullerton Golf Course with residential neighborhoods surrounding the course. Coyote Hills Golf Course is just to the east of the Fullerton course and State Route 57 (Orange) Freeway is about 4.5 miles east. The Brea Regional Mall is at the freeway and Imperial Highway, Cal State Fullerton is at the freeway and Yorba Linda Boulevard and Craig Regional Park parallels the freeway, all along the westerly side. Just to the east of the freeway is the city of Placentia with the city of Yorba Linda about six miles east. Chino Hills State Park and the Cleveland National Forest is to the east of Yorba Linda with the boundary between Orange, San Bernardino and Riverside Counties coming together about ten miles east.

South

Most of the land immediately south of the subject consists of similar residential neighborhoods as along the other sides of the subject property with mainly single family detached neighborhoods. West Coyote Hills Nature Park is at the southeast corner of the property adjacent to the Mormon Church. On the south side of Rosecrans Avenue across from the southwest corner of the subject is the Ralph B. Clark Regional Park and next to it the Los Coyotes Country Club. Amerige Heights is approximately one mile to the south. This is a master planned community started in 2001 on a portion of the Hughes Aircraft site with a remaining facility occupied by Raytheon. This development along the north side of Malvern Avenue also has a relatively large retail component, Amerige Heights Town Center anchored with a Target store. An industrial tract runs south of Malvern Avenue and includes the Fullerton Municipal Airport. The Riverside (SR 91) Freeway is about three miles south and forms the boundary between Fullerton and Anaheim. Disneyland, Anaheim Stadium, the Pond and the new, Anaheim Regional Transportation Center are all located seven to eight miles south.

West

The City of La Mirada in Los Angeles County is along the western boundary of the subject. Between the subject and Beach Boulevard most development consists of single family neighborhoods. Beach Boulevard is one of the major north/south commercial corridors in Orange County along with Harbor Boulevard. La Mirada Regional Park and Golf Course is about one mile west. Additional retail development is at Rosecrans Avenue and La Mirada Boulevard.

Summary

The subject location is in the center of what is considered one of the better residential communities in Orange County. The school system has an excellent record winning numerous awards and attracting families wanting to enroll their children. It is close to the major hubs of economic activity in Orange County or for that matter Southern California. Economic conditions appear to be improving and it is anticipated that the subject location will continue to prosper because of its strategic location.

RESIDENTIAL MARKET OVERVIEW

The following discussion is taken from information from a publication by the Real Estate Research Council of Southern California (RERCSC) published by Cal Poly, Pomona, CoreLogic, and various articles published in the Orange County Register (OC Register) and Wall Street Journal (WSJ). In addition a "Strategic Market" report on the subject property by The Concord Group dated October 13, 2015 was reviewed that provided insight into the north Orange County submarket.

National home builder sentiment is at a "ten year high" (WSJ, 10/20/15) with the housing market index at 64 according to the National Association of Home Builders (NAHB). Anything over 50 is considered positive and in both August and September the index was at 61. It is still below the all-time high in October, 2005 when it was at 68. NAHB sees the market having a lot of pent up demand and conditions continuing to improve. WSJ (10/12/15) reports that "previously" owned homes in August sold at a seasonally adjusted rate of 5.31 million per year which was 6% greater than in August, 2014 but were 4.8% below the previous month. This is data that is published by the National Association of Realtors (NAR).

The WSJ also reports (10/27/15) that "Sale of New Homes Slide" and that a segment of the market "might be cooling" because new home sales were down by 11.5% between August and September of this year. However, the September pace was 2% higher than September, 2014 and they go on to say that 2015 has shown "significant" improvement overall. NAHB reports that builders can't build homes fast enough in most markets. Year to date housing starts are up 12% and building permits up 13% (WSJ, 10/21/15). Labor shortages however, are slowing the process and increasing the costs that in this market, typically can't be passed on to the consumer. OC Register (11/8/15) reports "Where Have the New-Home Buyers Gone?" as CoreLogic data indicates new home sales have decreased for "10 straight months, with volume down 21%" at a time when the volume of re-sale homes has increased. The article goes on to say that new homes may appear to have seen some price resistance and a lack of Chinese buyers recently but, on the other hand, new-home sales contracts are up 6% this year likely indicating increasing volumes in the next year relative to new-home closings.

The Southern California housing market has recently shown signs of recovery since the recession especially in the coastal submarkets. Generally both sales prices and sales volumes have improved both in new home sales and re-sales or previously owned homes. RERCSC reports that in the second quarter of '15 "home ownership markets remained strong." Although new home prices remained flat for the quarter re-sale prices increased by 7% over the previous year. According to RERCSC, Orange County's median new home price in March, 2015 was $800,000 indicating a 2.4% increase over the previous March. They report new home prices quarter to quarter over the past year indicate a 9% increase between 2014 and first quarter of 2015.

Twice a year RERCSC appraises the same homes in a sample to measure value increases in Southern California. This is not a statistically random sample with the same 308 homes appraised since 1990. The program's intention is to have a representative sampling of detached homes that represent various price ranges and ages. These homes increased in value by 5.1% year over year but only by 1.4% over the past six months indicating a slow-down from the more rapid increases over the past few years. Overall, Orange

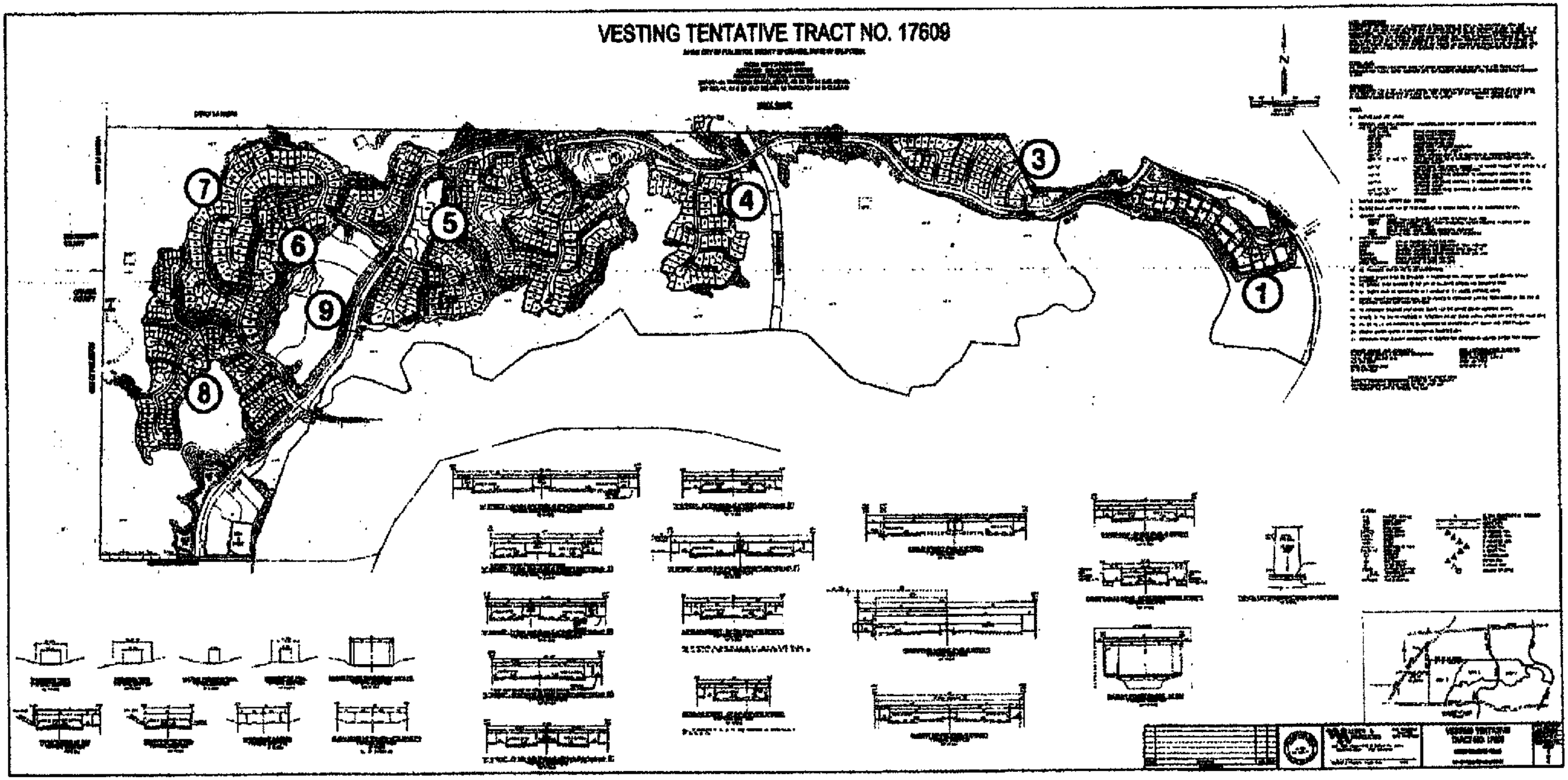
County shows 1.6% increase year over year from and average value of $625,949 in April, 2014 increasing to $636,154 in April, 2015. The central portion of the County indicated a higher average increase of 3.3% relative to the overall County, up from $543,444 in April, 2014 to $561,556 in April, 2015.

OC Register (10/20/15) headlines report "O.C. Home Prices, Sales Surprise." There was an unexpected increases in both sales and prices in the month of September with a $615,000 median price for the county, the second highest since the housing bubble collapsed in 2007. It is up $5,000 over the previous month and 5.3% above the previous September. The county saw 3,282 sales in September which was more than any other September in a decade. This is a 3% increase over the previous month and 15% year over year. The upper end of the market pushed much of this gain with homes above $700,000 increasing by 27% according to CoreLogic. Prices below $700,000 increased by a mere 1%. August was the 39th consecutive month of year-over-year increases in the median price gains according to an OC Register article quoting reports by both S&P Case-Shiller and CoreLogic. The last time the composite had such a streak was between January, 2001 and November, 2006.

Supply of existing homes in Orange County is at a four month low with 6,504 homes listed in October. This is 665 fewer listings than the same month a year ago with tightest supply in the lower price range. The lower the price the faster the sale with 49% of the listings below $750,000 and 70% of the sales below that price level.

These publically printed statistics are mirrored in the Concord Group market study with north Orange County being "supply deprived especially at the Site's recommended price range." The median resale home price increased by 7% between 2013 and 2014 in the competitive market area (CMA) from $485,000 to $519,000. Median prices for new homes in the CMA increased by <u>31%</u> over the same time period, from $616,000 to $808,000.

In summary, the Orange County housing market has improved consistently over the last two to three years. There's was a significant decline in construction when the housing bubble burst and, consequently building permit activity was at a standstill from 2008 to 2011 limiting supply. Distressed housing levels in Orange County rapidly burned off leaving very few housing opportunities available for a growing employment base. It appears that prices are stabilizing after rapid increases during 2013 and 2014. The near-term outlook for the housing market is improving. Existing and new home sales and prices are rising. Mortgage rates remain at historically low levels and defaults and foreclosures have declined substantially in the last two years. Employment continues to grow with new jobs in Southern California in the past year showing a 3.1% increase. Forecasts by California Association of Realtors (CAR), the Construction Research Board, California Department of Finance and the UCLA Business Forecasting Project all point to continued positive growth.


VESTING TENTATIVE TRACT NO. 17609
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PROPERTY DESCRIPTION

Location

Subject property is generally located southerly of the city of La Habra between Euclid Street and just westerly of Gilbert Street in the city of Fullerton. This location is just east of Beach Boulevard and just south of Imperial Highway.
Thomas Guide Map Page: 738 B, C, D, E & F; 2 & 3

Shape and Land Area

Subject property is irregular in shape. There is more than 6,600 feet from east to west and about 5,300 feet at its widest point on the west side going north to south. According to the "Master Plan" map the West Coyote Hill Specific Plan the property has a gross area of 509.1 acres. Of the total, 208.8 acres are developable with 24.4 acres devoted to streets and 301.4 acres devoted to permanent open space. Under the current plan 59.2% of the property will be devoted to open space. The following chart summarizes subject areas and the plan is depicted on the facing map.

Designation	Acres	Designation	Acres
Neighborhood 1	10.4	Multiple Use Site	17.1
Neighborhood 2*		Fire Station Site	1.3
Neighborhood 3	13.7	Retail Village	5.2
Neighborhood 4	14.2		
Neighborhood 5	30.8	Circulation	24.4
Neighborhood 6	26.3		
Neighborhood 7	22.1	Total Open Space	301.4
Neighborhood 8	24.3		
Neighborhood 9	19.0		
Total Residential	160.8		

*Not a part

Neighborhood 2 is not a part of the appraisal assignment as it has been agreed that the parcel will be conveyed to an entity for preservation. Developable area without this neighborhood totals 160.8 acres for the residential component of the master plan.

Larger Parcel

Essential to the appraiser's conclusion of highest and best use is the determination of the *larger parcel.* While the subject consists of numerous, separate Assessor's parcels, it is considered a singular parcel for purposes of this analysis. Based on unity of ownership and the continuity of access all of the parcels are considered a part of the *larger parcel.*

Neighborhood 2 is not a part of this appraisal as the seller and buyer have come to an agreement as to purchase price. Neighborhoods 1 and 3 are valued separately as they are being considered for acquisition as well as potentially the entire *larger parcel.* Neighborhoods 1, 2 and 3 are all located to the east of Gilbert Street with all of the remaining neighborhoods to the west. This allows, hypothetically, the development of the westerly portion of the *larger parcel* to be independent with the potential of development separate from the eastern portion of the property. As a consequence of this design and the considerations in the negotiations for individual neighborhoods, the western portion can be developed independently and there are no severance damages attributable to the remainder parcel.

Improvements

Subject property is unimproved as of the date of value. In the past the property was utilized as an oil field with extraction equipment covering portions of the property. There were no visible improvements at the time of inspection. Orange County Assessor information indicates that there are no improvements on the property.

Topography

Land is generally characterized as gently rolling topography with some relatively steep slopes. Ridgelines and valley areas cover the property although, similar to adjacent lands, the property appears to have good development potential.

Drainage for the property currently follows the natural topography and either drains to Euclid Street or Gilbert Street as well a natural drainage channel on the westerly side of the property.

If an when developed, drainage will be collected into engineered drainage and flood control improvements and directed to public facilities.

Soils & Hazardous Materials

No geotechnical report relative to subject soil conditions and its adequacy to support construction was available for review. A physical inspection of the site produced no observable adverse soil conditions. Because the subject property has been used for oil production it is typical for the operator to be responsible for the clean-up and removal of all hazardous waste and materials. There may be residual oil deposits below the surface of the subject property. It is a hypothetical condition of the appraisal that the subject site is clean of all hazardous materials and suitable for development.

Adjacent properties, as part of both Fullerton and La Habra, have been developed with residential neighborhoods similar to what is proposed for the subject property, without any apparent geotechnical issues. Lacking a detailed soil survey, it is assumed that no geotechnical issues exist on the property. As I am not an expert in soil conditions or geotechnical issues, I reserve the right to adjust value conclusions if such issues are found to exist impacting the developability of the property.

Earthquake Hazard

The subject site does not appear to be located within an Alquist-Priolo Special Studies Earthquake Zone although, a review of the La Habra Quadrangle Map of State of California "Special Study Zones" it appears that there is a small study zone very close to the subject along the northern boundary. In addition, a "Seismic Hazard Zones" Map indicates small areas on the subject property have had historic occurrences of liquefaction as well as earthquake induced landslides and will require investigation.

A recent NASA study states that there is a 99.9% chance of an earthquake greater than a 5.0 magnitude will happen within the next few years. An official United States Geological Survey study forecasts and 85% chance of a magnitude greater than 5.0 within a 62 mile radius of the previous La Habra earthquake of 2014 will happen within the next three years. The 2014 La Habra quake registered a 5.1 magnitude and caused significant damage in the area of the subject property. Like all areas of Southern California, the area is subject to seismic disturbance.

Flood Hazard

According to Federal Emergency Management Agency Floor Insurance Rate Maps, the subject land is located within Zone X. Zone X is an area determined to be to be outside the 0.2% annual chance flood plain. The site is shown on two community panels. Panel No 06059C0039J covers the easterly side of the property and Panel No. 06059C0038J covers the westerly side. Effective date of the panel is December 3, 2009.

General Plan and Zoning

General Plan: The land use designation for the subject according to the City of Fullerton General Plan, Land Use Map is "Greenbelt Concept."

Zoning: Current zoning for the property is O-G, "Oil Gas."

Zoning and General Plan designations reflect the historical use of the subject property as a petroleum production area.

Current Entitlements

Specific Plan: West Coyote Hills Specific Plan (SP Amendment #8) was approved July 12, 2011 along with the West Coyote Hills Interpretive Master Plan and Tentative Tract Maps No.s TTM 15671, TTM 15672 & TTM 15673.

Vesting Tentative Tract No. 17609: Vesting Tentative Tract Map was approved by the Planning Commission on October 22, 2015 and by City Council on November 17, 2015. This map removes what was known as "Neighborhood 2" although maintaining the total unit yield of 760 units. This application replaces Tentative Tract Maps No.s TTM 15671, TTM 15672 & TTM 15673 and, among other things, allows for the public acquisition of some or all of the proposed development lands.

Proposed Development

Absent the proposed donation/dedication of the subject property current entitlements provide for the development of no more than 760 residential units in a detached or attached configuration, neighborhood serving commercial uses and the majority of the project would be preserved as public open space. A marketing study conducted by The Concord Group, dated October 13, 2015 suggests a product array for the subject ranging from half-acre lots to attached product at a net density of 10.7 units (DU) per acre. More detail relative to recommended product follows in the next section.

Streets and Access

Currently the subject is accessed via Euclid Street along the easterly side, Rosecrans Avenue at the southwesterly corner and Gilbert Street that roughly bisects the center of the property in a north/south direction.

Euclid Street is a four-lane major arterial with a current right-of-way width varying between 80 and 90 feet along the subject frontage. Currently there is only an asphalt berm along the subject frontage. Upon development it is proposed to have a 10 foot landscaped median. There will be concrete curbs, gutters and sidewalks.

Rosecrans Avenue is a primary east-west arterial street. It currently has a right-of-way width of 100 feet including 84 feet of paved roadway and 8 feet of parkways on both sides of the street. It has concrete curbs and gutters on both sides and has a meandering sidewalk adjacent to the subject property. If and when developed, Rosecrans Avenue will have a raised, landscaped median. There will be a landscaped buffer between the concrete sidewalk and a trail.

Gilbert Street is also a four-lane arterial and has a current right-of-way width of 80 feet including 68 feet of paved roadway and 6 feet of unimproved parkway with an asphalt berm on both sides. If and when developed, the project will provide four feet of additional right-of-way. In addition there will be a raised median with new concrete curbs, gutters and sidewalks on both sides.

The Specific Plan also provides for the extension of two existing, local collector streets and standard private streets.

Utilities

All usual, normal and necessary public utilities and services for residential use are to be provided to the subject property. Utilities are to be underground and will be served by the following providers:

Electrical Service:	Southern California Edison Company
Gas Service:	Southern California Gas Company
Domestic Water Service:	City of Fullerton Water Department
Sewer Service:	City of Fullerton

Easements

A current preliminary title report was not available to review. There were no obvious, observable signs of easements based on a physical inspection of the property. This valuation assumes that there are no easements or encumbrances that would adversely impact the development of the property to its highest and best use.

Condition at Time of Inspection

The subject site was in a raw, undeveloped condition at the time of inspection. The land is unimproved other than dirt roads and access gates.

Assessed Valuation and Real Property Taxes

The overall property is assessed by the Orange County Assessor as thirteen parcel numbers. The following chart summarizes assessed values and taxes for tax year 2014/2015.

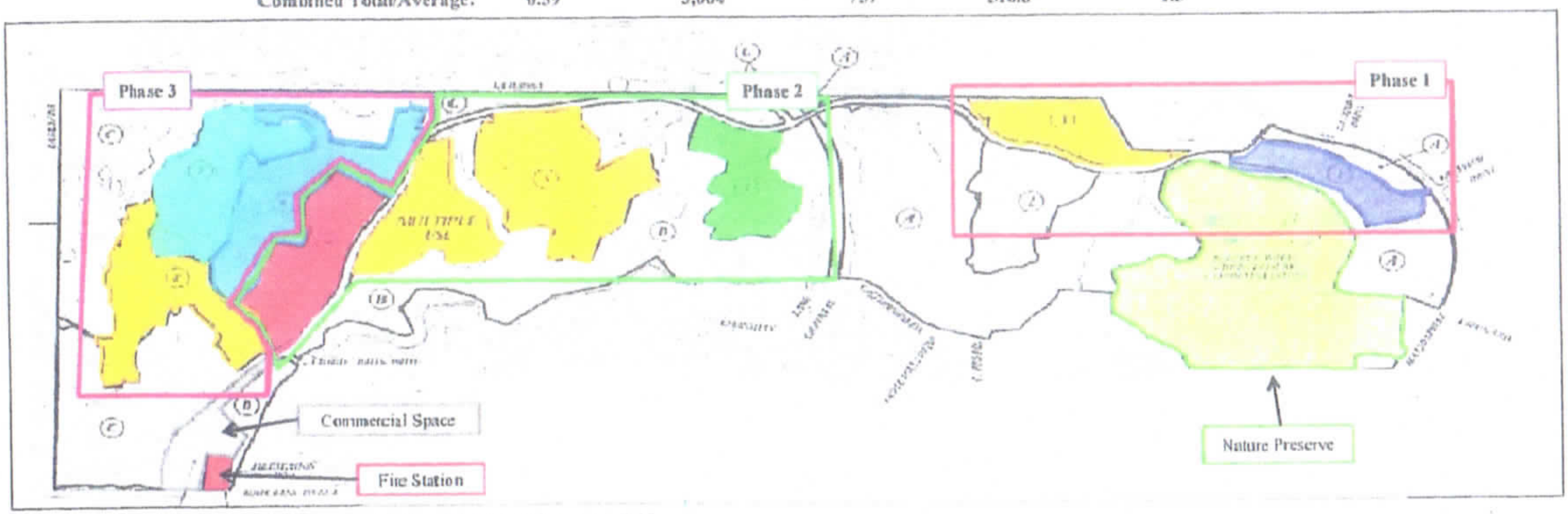
APN	AP Map Acres	CoreLogic Acres	Assessed Value	Taxes
287-081-24	2.68	2.68	$55,008	$616.28
287-081-25	N/A	0.52	12,939	162.04
287-081-26	5.36	5.84	80,186	1,208.04
287-081-48	6.04	6.00	103,248	1,152.50
287-081-51	3.444	97.10	49,451	"Exempt"
287-081-52	N/A	90.15	1,313,660	14,609.10
287-081-53	8.896	43.1	151,194	"Exempt"
287-081-54	N/A	32.90	569,912	6,281.38
287-082-27	20.91	20.90	300,124	3,353.26
287-082-28	8.92	8.90	150,833	1,676.80
288-091-12	1.574	1.56	18,148	222.14
288-091-13	159.683	160.62	1,841,635	20,824.04
288-091-14	159.67	159.17	736,667	9,353.30
Totals	**377.177**	**629.44**	**$5,383,005**	**$59,458.88**

There is a large difference between the acreage amounts shown on the Orange County Assessor's maps and what is shown on public records from CoreLogic, RealQuest. Total difference is more than 252 acres. Vesting Tentative Tract Map No. 17609 indicates a gross area of 508 acres and planning maps indicate an area of 509.1 acres. For purposes of this appraisal, 509.1 acres is being used.

With the passage of the Jarvis-Gann Initiative (Proposition 13), real estate taxes in California are limited to approximately 1% of market/assessed value, plus an amount to cover any bonded indebtedness (special assessments). Adjustments are made annually to base taxes (not special assessments); however, increases are limited to 2%. Upon transfer or completion of construction, the property is re-assessed to reflect market value.

SITE PLAN
WEST COYOTE HILLS - FULLERTON
SEPTEMBER 2015

Planning Area	Product Type/ Lot Size	Average FAR (1)	Average Home Size (2)	Unit Count	Acres	Density/Acre	Color = Lot Density *(Highest to Lowest)*
1	1/2 Acre Lots	0.40	---	16	10.4	1.5	= 1/2 Acre
3	4,500	0.65	2,925	59	13.7	4.3	= 4,500
4	5,500	0.60	3,300	53	14.2	3.7	= 5,500
5	4,000 - 5,500	0.60	3,000	125	30.8	4.1	= 4,000 - 5,500
6	5,000	0.60	3,000	73	26.3	2.8	= 5,000
7	6,000	0.60	3,600	63	22.1	2.9	= 6,000
8	4,000	0.65	2,600	111	24.3	4.6	= 4,000
9	Townhomes	---	---	204	19.0	10.7	= Townhomes
Multi-Use	4,000	0.65	2,600	53	17.1	3.1	= 4,000
	Total/Average Residential:	**0.59**	**3,004**	**757**	**177.9**	**4.2**	
	Open Space	---	---	---	301.4	---	
	Circulation	---	---	---	24.2	---	
	Commercial	---	---	---	5.2	---	
	Fire Station	---	---	---	1.3	---	
	Total Non-Residential:	---	---	---	**332.1**	---	
	Combined Total/Average:	**0.59**	**3,004**	**757**	**510.0**	**1.5**	



Note: (1) Average FAR listed in West Coyote Hills Specific Plan packet - page 2-17
Note: (2) Based on average FAR

DEVELOPMENT DESCRIPTION

Subject property is currently in a raw, undeveloped condition as described above. There are no improvements on the land other than unimproved access roads, fences, gates and possibly old, oil extraction equipment. Assuming a hypothetical condition of development of the West Coyote Hills Specific Plan there is currently the potential to build a maximum of 760 units/lots on the property. The Concord Group completed a "Strategic Market Update in Support of Appraisal for West Coyote Hills in Fullerton, California" dated as a "Final Report," October, 13, 2015. This report provides product recommendations along with pricing suggestions and unit absorption. The following chart summarizes the product recommendations.

Neighborhood	Acres	Units	Density	Lot Size	Unit SF Range
Neighborhood 1	10.4	16	1.5/Ac	½ Acre	4,300-5,500 SF
Neighborhood 3	13.7	59	4.3/Ac	4,500SF	2,400-2,800 SF
Neighborhood 4	14.2	53	3.7/Ac	5,500SF	3,200-3,800 SF
Neighborhood 5	47.9	178	3.7/Ac	4,000-5,500SF	2,800-3,200 SF
Neighborhood 6	26.3	73	2.8/Ac	5,000SF	2,800-3,400 SF
Neighborhood 7	22.1	63	2.9/Ac	6,000SF	3,400-4,000 SF
Neighborhood 8	24.3	111	4.6/Ac	4,000SF	2,200-2,600 SF
Neighborhood 9	19.0	204	10.7/Ac	TH/Cluster	1,400-1,800 SF
Total/Average	177.9	757	4.26/Ac		

Neighborhood 2 is not a part of the appraisal assignment as it has been agreed that the parcel will be conveyed to an entity for preservation. In addition to the residential neighborhoods there is proposed a 5.2 acre "Village Retail" site that would provide additional revenue acreage to the master plan.

The above summarized residential recommendations provide a fairly well segmented product array that is generally consistent with the quality and compatibility compared to the adjacent Fullerton and La Habra neighborhoods. Master planned communities typically segment projects in such a manner. This not only provides a relatively wide selection of product types to the home buying public but helps to enhance the land sale program to builders making the project more profitable.

HIGHEST AND BEST USE

The term ***"highest and best use"*** is defined as:

"the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria that highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity."

Source: The Dictionary of Real Estate Appraisal, Fourth Edition, Appraisal Institute

The concept of highest and best use in appraisal practice is the underlying premise upon which a value estimate is based. That determination is based on consideration of social, physical and economic forces that affect the subject property and influence value.

Inherent in this definition are several conditions, which must be satisfied by the existing or proposed use in order to develop the maximum value. The use must be physically possible for the site. Soil conditions, topography, size and shape must be compatible with the proposed use. The use must be legally permissible in that it must conform to current or projected zoning. Similarly, the use must not be precluded by deed restrictions or other encumbrances, which may limit potential uses. Also, the use must be economically feasible. The market should indicate sufficient economic demand so as to support a proposed use of the site. Among the various uses that meet the above criteria, the use which creates the greatest rate of return and maximum productivity is considered to be the highest and best use of the site.

Existing improvements on a property, if any, should normally be renovated or retained until such time as they no longer contribute to the total market value of the property at which time a new improvement would more than offset the cost of demolition and new construction. In analyzing the Highest and Best Use of a property as improved, it is recognized that the improvements should continue to be used until it is financially advantageous to alter physical elements of the structure or to demolish it and build a new one.

Highest and Best Use as Vacant

Physically Possible –From a physical point of view the land is of sufficient size to accommodate development consistent with approved Vesting Tentative Tract No. 17609. Access to West Coyote Hills Specific Plan is considered good. The site consists of topography that is gently rolling with some slopes throughout the property similar to adjacent developed lands. From a physical perspective, the site is of sufficient size to accommodate development and appears to be developable. It is assumed that there are no soils, hazardous waste, geothechnical, biological, environmental, archeological or paleontological conditions that would preclude development.

Based on the physical analysis the size, access and topography make the property physically suited for development consistent with the proposed plan.

Legally Permissible – The land has an approved Specific Plan and an approved Vesting Tentative Tract Map that has been approved by the Fullerton Planning Commission and City Council. The property has all entitlements approved except for a biological opinion from the U.S. Fish and Wildlife Service. This process was completed once before but has expired and now requires updating based on possible changes in habitat conditions on the property. Once a biological opinion is rendered the only remaining requirement is the satisfaction of map conditions in order to obtain a final map allowing conveyance parcels and development of various neighborhoods.

Financially Feasible/Maximally Productive – The third and fourth considerations in the highest and best use analysis are economic in nature, i.e., the use that can be expected to be most profitable. Profitability in the case of the subject property requires that the sum of the gross retail proceeds of the sale of lots exceed the land development and all other costs of production.

The market saw strong increases between 2012 and early 2014 and current market conditions suggest that residential development in the subject market is stable with house prices increasing (although at a slower rate). Revenues (the sale of homes and/or lots) are improving and it appears that maximum profitability of the project can be obtained by the proposed development. Subject property has been designed with conventional residential product segmented in various lot sizes and unit sizes. A market study completed by The Concord Group confirms, along with appraiser's survey, demand for housing in the central and northern Orange County submarket. As vacant, it is my opinion that this proposed development represents the highest and best use of the property.

Highest and Best Use as Improved

As previously described, the subject property is currently raw, undeveloped land. The most probable buyer of the property would likely be a land developer or possibly a large public builder active in the Orange County market.

Based on my research and analysis, it is my opinion that the Highest and Best Use of the property would be to sell to a land developer.

VALUATION PROCESS

There are three traditional approaches generally used in estimating the value of real property: the Cost Approach, Sales Comparison Approach (aka: Market Data Approach) and the Income Capitalization Approach. Depending on the specific appraisal problem and data available, one or more of these approaches are used.

The Cost Approach is based upon the premise that an informed buyer would pay no more than the cost of producing a substitute property having the same utility. It is most applicable in the appraisal of improved properties when the improvements are relatively new and represent the highest and best use of the land. The subject property is unimproved land and accordingly it was not judged to be appropriate for this assignment. However, aspects of the cost approach were used in a Land Development Analysis.

The Sales Comparison Approach to value is typically the most common approach used in the appraisal of vacant land and is a primary approach used to estimate the value of the subject property. It is also based on the premise that an informed buyer would pay no more for a property than the cost of acquiring another property with the same utility. It is a process of analyzing sales of similar properties, with dates of sale near in time to the date of value in order to derive an indication of the value of the property being appraised. This approach is most applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. It is less reliable when there is reduced sales activity or when large comparative adjustments are required. A price per developable acre and per developable unit/lot were used in this analysis.

The Income Approach reflects the market's perception of the relationship between a property's potential income and its market value. This relationship is expressed through a capitalization or discount rate. It converts the anticipated income benefits to be derived from the ownership of property into a value indication through a capitalization process. The Income Approach is typically not used in the valuation of vacant land although aspects have been used in Land Development Analysis.

Components of all three approaches are used in a Land Development Analysis which was used as a supporting approach to the Sales Comparison Approach. This analysis utilizes comparable land sales to merchant builders (Sales Comparison Approach) to estimate potential revenues that can be generated by developing the land and selling to builders. Individual Land Residual Analyses were also conducted on the subject neighborhoods utilizing new home pricing. Elements of the Cost Approach are utilized in this analysis as costs that would be incurred by a builder are deducted from potential revenue to provide a residual land value indication. The projected net revenue estimates are then discounted (Income Approach) to a present value considering the time period at which the various land parcels would sell.

The valuation process is concluded by analyzing each approach to value used in the appraisal. When more than one approach is used, each approach is judged based on its applicability, reliability, and the quantity and quality of the data found in the market place. A final value opinion is chosen that either corresponds to one of the approaches to value or is a correlation of all approaches used.

Land Sales Map

LARRY W. HEGLAR, MAI

SALES COMPARISON APPROACH

A search was conducted to find sales of similar land parcels in the Southern California market. Recent sales of properties were found that helped to provide parameters as value indicators for the subject. The table below summarizes the data believed most comparable to the subject with further explanation of the sales following the table and individual data sheets in the Addenda. Location of the market data is found on the map facing the table.

Land Sale Summary

Sale No.	Name/ Location	Sale Date	Land Size	No. Units/ Density	Price	Price/Acre	Price/DU
1	*Barton Place* NEC Katella Ave. & Enterprise Dr. Cypress	9/14	29.864Ac	244 8.2/Ac	$33,059,000	$1,106,985	$135,488
2	*Arantine Hills S.P.* W/O Interstate 15, S/O Cajalco Rd. Corona (Riverside Co.)	12/14	279.84Ac	1,621 2.8/Ac	$74,000,000	$264,437	$45,651
3	*Tustin Legacy* So. Cor Moffett Dr. & Park Ave., Tustin Legacy Planned Dev.	8/14	82.38 Ac	375 4.6/Ac	$56,000,000	$679,777	$149,333
4	*Baker Ranch* S/O Foothill Trns Corridor @ Alton Pkwy Lake Forest (Orange Co.)	6/12 JV 50/50	371.59Ac	2,194 5.9/Ac	$220,000,000	$592,050	$100,273
5	*Hidden Canyon* SEC Lake Forest Dr. & Laguna Canyon Road Irvine	11/13	162.4 Ac	244 1.5/Ac	$135,000,000	$831,281	$553,279
6	*La Floresta Specific Plan* SEQ East Birch St. & Valencia Ave. Brea	9/15	41.287Ac	269 6.5/Ac	$66,875,000	$1,619,759	$248,606
7	*Westridge Golf Club* E/S Beach Blvd. & W/S Idaho St., S/O Imperial Hwy., La Habra	'15 Option	150.80Ac 105 Ac	420 2.8/Ac	$75,000,000 Estimated	$497, 374 $714,286	$154,762

Analysis of Land Sales

Land Sale No. 1 This property is located in Cypress about nine miles southwest of the subject. It was originally purchased by ProLogis for a large warehouse/distribution facility. Neighbors and the city felt circulation issues with large trucks would not be compatible to the area and the buyer then decided to sell to a developer that has entitled the property for a senior/age-restricted project. Closing was based on obtaining entitlements for 244 residential units and 50,000 square feet of commercial development.

There are two senior products being planned for the site. One will be a 152 unit detached product with the other being 92 attached units. Home prices are reported to range from \$499,000 to \$800,000 in today's dollars with ground-breaking projected to start in early 2017. A recreation facility with 5,000 square feet of building area and swimming pool are a part of the proposed development. Most of the existing use was the now defunct Cypress Golf Course.

Location of this property is considered comparable to the subject. This is a small site relative to the subject and it is superior in terms of topography as it is generally flat.

Land Sale No. 2 This property is located in Corona, Riverside County about 25 miles southeast of the subject. The property was entitled with a Specific Plan and approved Tentative Tract Map at time of purchase. The buyer however, is modifying the approved entitlements reducing the number of units from the approved 1,621 to about 1,300. This increases the effective purchase price to \$80,000 per dwelling unit. However, in addition to the purchase price, the property is burdened with an estimated \$56 to \$60 million in freeway improvement costs. These cost are eventually to be shared by other properties when they are developed but there currently is not any fare-share mechanism to help pay the costs. The effective purchase price considering this total burden is equivalent to about \$478,845 per acre and \$103,077 per dwelling unit. A total of 36.6 acres are to be maintained in permanent open space leaving 243.24 acres of developable area including 125,000 square feet of commercial development. The net developable area price indication is equivalent to \$550,896 per acre. There was no CFD on the property at time of purchase but marketing materials suggests a bond sizing analysis supports construction proceeds of about \$32,000 per unit.

The location of this sale is clearly inferior to the subject. Topography is similar and entitlement status is similar as well.

Land Sale No. 3 This sale is located within Tustin Legacy about fifteen miles southeast of the subject. It is a part of the former Tustin Marine Corps air base that is being developed by the City of Tustin with the assistance of a number of builders and developers. This property was purchased with entitlements in place for 375 residential units (ATTM No. 17507). There are four residential products that are being built on this site with lots ranging from 3,900 to 6,000 square feet. Average home sizes range from 2,070 to 3,607 square feet. Net site area is about 66 acres indicating an effective price of \$848,485 per net acre. In addition to the purchase price the builder is contributing \$16,935,000 to backbone infrastructure or about \$256,590 per net acre increasing the effective price to just over \$1.1 million per net acre. Also, the deal provides that the builder pay the city for 50% of profits that exceed an 8.5% gross profit on the sale of homes. In addition the builder pays the city \$50,000 that goes to a marketing fee used to market the Tustin Legacy community.

This location is comparable to the subject location. Land area is considerably smaller and the land is flat making it more developable than the subject.

Land Sale No. 4 This site is located in Lake Forest about 23 miles to the southeast. The sale represents a joint venture between Shea Homes and Toll Brothers where Toll purchased a 50% interest in the property from the long-time owner (Baker family) and previous partner with Shea. Shea originally obtained entitlements for a business park development at time when the El Toro Marine Corps base prevented the development of residential uses within the flight-path of the air base. When the air base was decommissioned there was no longer a restriction on residential land uses and the venture then changed entitlements to build 2,194 residential units and lots. There is a CFD encumbering the homes similar to what will likely be proposed for West Coyote Hills. Open Space requirement totals 25.9 acres leaving a developable area of 345.69 acres. Total purchase price is equivalent to $636,408 per net acre.

Location of this property is comparable to the subject. Although smaller than the subject it is generally comparable in size. Unit yield is higher than what is proposed for West Coyote Hills. Topography is similar as this property has rolling terrain. The sale is older as it was negotiated in late 2011 and home prices (as well as land prices) have increased since the deal was negotiated.

Land Sale No. 5 This property is located in Irvine about twenty-two miles southeast of the subject. This is a sale from the Irvine Company of a raw but entitled site with rolling topography. Irvine Company typically sells their land in a more developed condition but because of the unknowns of grading costs, decided to sell this property in a raw condition. The builder has recently opened two model complexes with average lot sizes of 7,000 square feet on one product and 9,900 square foot average lots on the other. Home prices start at $2.4 million. A CFD was placed on the property increasing the effective tax rate to about 1.4% of the average price of the homes. Open space of 59.4 acres puts the buildable area at 103 acres. Effective price on the developable area is $1,310,680 per acre.

Location is similar to the subject as Irvine, like Fullerton, has a highly acclaimed school system. It is adjacent to Laguna Canyon Road and close to the beach community making the location overall superior. This property has a smaller parcel size but still comparable to the subject.

Land Sale No. 6 This site is located in Brea about five miles to the northeast of the property. The sale was to a builder but was a bulk sale of 269 units. It is a part of the La Floresta master planned community by Chevron Land and Standard Pacific. This community will have approximately 1,100 total homes when completed and there are several projects completed and homes being sold. In addition, there will be a total of 386,800 square feet of retail space in the project. This purchase represents what will be a Del Webb active adult community with three different product types. Products will consist of stacked flats, cluster detached and conventional detached homes on 5,000 square foot lots. There is a CFD encumbering the homes similar to what will likely be proposed for West Coyote Hills. There will be a 3.5 acre senior center as part of the development.

This location is considered comparable but inferior to Fullerton. It is smaller than the subject and more represents a merchant builder transaction although with 269 units/lots it is larger than most builder acquisitions.

Land Sale No. 7 This site is located adjacent to the subject in La Habra. It is currently improved with the Westridge Golf Club and is a very recent transaction that won't close escrow until obtaining an approved Tentative Tract Map. The buyer, CalAtlantic Homes (formerly Standard Pacific Homes) is currently in escrow and plans to leaseback the golf course until such time as they obtain entitlements. Buyer plans to build 420 homes including 145 townhomes and 275 detached homes in three neighborhoods with 82 of the detached homes within a gated community. Townhomes are planned from about 1,200 to 2,100 square feet and are anticipated to sell from the mid-$400,000 range to the mid-$500,000 range based on current pricing. Detached homes are expected to range from about 2,200 to 3,200 square feet and sell for up to $1 million. Open space will be about

39 acres leaving developable land at 111.8 acres. Developable acreage is estimated by the buyer to be more within a range of 105 acres (4.0 DU/Acre Net). The deal is reported to be structured within a range of the above summarized indicators as a minimum price with the ultimate price determined once entitlements are obtained and revenues and costs are known. The deal allows, as outside timing, up to five years to get approvals and settle any potential litigation. Ernest money has already been deposited and additional monies will also be required depending on timing requirements due to entitlement processing.

This property is very comparable to the subject in terms of location as it is adjacent. Size, although smaller, is comparable as well. The difficulty in comparability is that this property is not currently entitled for residential development and ultimate unit yield as well as product type is not yet finalized. The price is proposed to be adjusted once entitlements are obtained.

Data Analysis

The land market has clearly improved over the last few years in Orange County. Although sales rates and prices may have slowed in the past few months, there are still signs that a market recovery will be sustained and builders continue to look for opportunities to build. Many of the residential market pundits are opining that the market will continue a slow recovery through 2017.

The data summarized ranges from $264,437 to $1,619,759 per gross acre. On a per net developable area, deducting open space requirements the range is from about $550,000 to $1,619,759 per acre. On a per unit basis the range is from $45,651 to $523,256 prior to adjustments. This wide range is influenced by a number of factors that include entitlement status, location (including school district), lot size, number of lots and date of sale. The lower priced sales were typically negotiated before the recent run-up in land values. Also, many of these sales have inferior locations compared to the subject.

Following are some of the considerations utilized in adjusting the market data.

Entitlements: Properties are generally considered entitled in California once they have tentative map approvals and all discretionary approvals are obtained with the owner only required to satisfy map conditions to obtain a final map and start development. Consequently there is generally a significant difference in prices between land that has a tentative tract map in place and land that does not. All of the sale properties were acquired either with an approved tentative tract map or were contingent on approval prior to close of escrow. Sale No. 2 the buyer is modifying entitlements which will take longer and does impact the price. Sale No. 7 does not have entitlements but will not close until entitlements are obtained.

Location: As always, location is a primary influence on property values. Commute distance to regional job markets, school district scores, quality of adjacent neighborhoods and other locational characteristics have a major impact on land values. Subject property is better located than many of the sale locations.

Size: Parcel size also has an influence on value. Larger parcels will generally trade at a lower prices and smaller parcels at higher prices everything else being equal. All of the sales data involve land that has smaller gross acreage than the subject. The subject is very large for a suburbanized market such as Orange County so any sales transaction would be smaller in gross area. Buildable area for the subject is more comparable to some of the data.

Sale Date: Home builders have been aggressively acquiring lots in the primary Southern California markets over the past three years. Consequently lot prices have been escalating in most major markets as housing prices have, and Orange County has experienced double digit, year-over-year increases until very recently. It is generally believed that these increases can't be sustained. Consequently, a 6% annual increase has been used to adjust pricing from the date of sale (or date of price determination) to the date of value. No adjustments have been made for time on sales negotiated within the last year.

Lot Size: Lot size also has an influence on per lot prices. Smaller lots will typically sell at a lower per lot prices and conversely larger lots typically sell at higher prices with other factors remaining equal. Land sales in the analysis generally are similar in size and "bracket" the size of the subject lots.

Deal Terms: This adjustment consideration is typically used for adjustments due to favorable seller provided financing. All of the sales were cash to the seller transactions or with market financing and therefore no adjustments were made for deal terms except for Land Sale No. 7 which provides for a long term escrow with closing subject to obtaining an approved Tentative Tract Map.

Community Facilities District: The subject site, as of date of value, does not have any bonded indebtedness although most of the market data researched does. It is typical that most large projects and master planned communities in Orange County have additional bonded indebtedness relating to a Community Facilities District (CFD). Land sales that are not subject to CFD assessments are generally superior to the subject property as buyers of homes within those projects will not have the added taxes and builders can afford to pay slightly more for land not encumbered with CFD taxes.

The following chart summarizes the general differences for adjustments between the comparable market data and the subject property.

Data No.	Name/ Location	Sale Date	# Units Acres	Price/Ac Price/Lot	Comparison to Subject Property
1	*Barton Place* Cypress	9/14	244 29.864Ac	$1,106,985 $135,488	**Superior**-Size & No CFD **Comparable**-Entitlements **Inferior**-Location (school district)
2	*Arantine Hill SP* Corona	12/14	1,621 279.84Ac	$264,437 $45,651	**Superior**-N/A **Comparable**-Size **Inferior**-Location, Entitlements
3	*Tustin Legacy* Tustin	8/14	375 82.38Ac	$679,777 $149,333	**Superior**-Location & Size **Comparable**-Lot Size, Entitlements **Inferior**-Development costs
4	*Baker Ranch* Lake Forest	6/12	2,194 371.59Ac	$592,052 $100,273	**Superior**-N/A **Comparable**-Size, Entitlements **Inferior**-Sale date
5	*Hidden Canyon* Irvine	11/13	244 162.4Ac	$831,281 $553,279	**Superior**-Size & Location **Comparable**-Entitlements **Inferior**-Sale Date & Lot Size
6	*La Floresta SF* Brea	9/15	269 41.287Ac	$1,619,759 $248,606	**Superior**-Size & Site condition **Comparable**-Entitlements **Inferior**-Loction
7	*Westridge G C* La Habra	'15 Opt	420 150.8Ac	$497,347 $154,762	**Superior**-Deal Terms **Comparable**- Size & Entitlements **Inferior**-N/A

Adjustments have been made to the comparable sales considering the above summarized factors. These adjustments can be applied either as a percentage or in dollars. Calculations for adjustments are based on rationale and the mathematics should not control the appraiser's judgement. After considerations for adjustments, value indicators, on a gross acre basis, ranges from $518,585 to $872,845. On a net acreage basis the range is from $596,530 to $1,457,889. The range is $111,615 to $580,946 per unit (lot). Even after adjusting the data value indicators indicate a wide range.

Greatest weight has been placed on the price per net acre indication. The amount of open space on the sales data ranges from basically no open space on some of the flat, more urbanized locations to 36% of gross area. The subject has by far the greatest amount of area devoted to open space at almost 56% of total gross area. Developable area for the subject is calculated as follows:

Area	Acres
Residential Neighborhoods	160.8
Multiple Use Site	17.1
Retail Village	5.2
Fire Station	1.3
Circulation	23.3
Total Developable Acreage	**207.7**

Based on the data, analysis and considerations discussed above, the value estimate by the Sales Comparison Approach is summarized as follows:

207.7 Net Acres x $750,000	$155,775,000
757 Dwelling Units x $220,000/DU	$166,540,000

Based on the Sales Comparison Approach the value of the subject property has been estimated at **$160,000,000 (Rounded).**

LAND DEVELOPMENT ANALYSIS

In addition to the Sales Comparison Approach, a Land Development Analysis was also conducted. This is a common approach used by developers of master planned communities for large land parcels with various components. The approach estimates revenues for various land uses, deducts development costs and discounts net revenues to present value ("as is" value).

Revenue utilized in this approach came from two sources. The first was from an analysis of builder acquisitions for various residential sites, representing a range of product types that bracket the products proposed for West Coyote Hills Specific Plan. Finished lot prices were confirmed with builders or estimated. In-tract costs, as estimated by the Moote Group, were then deducted from estimated finished lot prices for proposed subject product to estimate the amount of revenue for the various subject neighborhoods.

Secondly, a Land Residual Analysis was conducted to estimate land revenues for the various product types. This is a technique that estimates product that would be built and sold to the home-buying public and solves for the remaining value (land value) after deducting all of the costs associated in developing the finished product. This technique replicates a builder analysis when determining the price that can be paid for the land, based upon product criteria. The land purchase is merely one of the components necessary in the manufacturing of housing, and consequently, that portion can be a residual based upon estimating the economic value of the finished product less all of the costs of the components to build the project, including a builder profit.

In addition, an investigation was made into sales of commercially zoned land in Orange County to estimate the potential revenue that could be obtained from selling the "Village Retail" site to a commercial developer.

Estimated Finished Lot Value by Direct Comparison

Numerous land sales to builders were researched to compare to the proposed product that has been planned for West Coyote Hills Specific Plan. There are few master planned communities in North Orange County where land is being sold to merchant builders. However, there are a number of sales that were found involving "in-fill" locations that were typically improved with older structures. These properties were purchased by builders, old structures demolished and entitlements obtained to develop new neighborhoods. Unlike master planned communities, most of these land sales do not have CFD's (Community Facilities Districts) also known as Mello-Roos Districts. In addition, several master planned communities in Central and Southern Orange County were surveyed for sales data to help estimate finished lot values.

The chart on the following page summarizes the sales data utilized in this technique to estimate the potential revenues for the various subject planning areas. The data is generally arrayed based on product density with the highest density products at the top of the list and lower density product following. Data sheets detailing the individual sales are in the Addenda of the report.

Land Sales Map

Builder Land Sale Summary

Sale No.	Name/ Location	Sale Date	Lot Area Acres Density	No. Units/ Lots	Total Price	$/Acre $/Lot $/Fin. Lot
1	SWC South St. &	3/14	Townhomes	42	$3,500,000	$1,891,892
	Anaheim Blvd.		1.85 Ac			$83,333
	Anaheim		22.7DU/Ac			$200,000 Est.
2	SEC Orangethorpe Ave. &	6/13	Townhomes	52	$9,350,000	$3,452,733
	Citrus Ave.		2.708 Ac			$179,808
	Fullerton		19.2DU/Ac			$210,000 Est.
3	NWC Magnolia Ave. &	4/14	Townhomes	108	$10,750,000	$1,899,293
	Orangethorpe Ave.		5.66 Ac			$99,537
	Buena Park		19.1DU/Ac			$210,000 Est.
4	NWC Morelia Ave. &	Escrow	Townhomes	40	N/A	N/A
	Bastanchury Rd.		2.170 Ac			N/A
	Yorba Linda		18.4DU/Ac			$300,000
5	SEC Maple Ave. &	6/15	Townhomes	37	$5,800,000	$2,532,751
	Willow Lane		2.29 Ac			$156,757
	Westminster		16.2DU/Ac			$230,619
6	S/S La Habra Blvd.,	6/15	Cluster	32	$3,600,000	$1,666,667
	W/O Idaho St.		2.16 Ac			$112,500
	La Habra		14.8DU/Ac			$245,000
7	SEC Valencia Ave. &	11/14	Attached	93	$18,000,000	$3,140,265
	La Floresta Dr.		5.732 Ac			$193,548
	Brea		16.2DU/Ac			$258,691
8	E/S Orange-Olive Rd.,	3/14	Townhomes	35	$6,250,000	$2,648,305
	S/O Meats Ave.		2.36 Ac			$178,571
	Orange		14.8DU/Ac			$220,000
9	W/S Rosslynn Ave.,	2/15	Cluster	19	$2,000,000	$1,234,568
	Adj NE of OCFCD Channel		1.62 Ac			$105,263
	Fullerton		12.0DU/Ac			$245,000
10	NEC Maple Ave. &	5/15	SFD Condo	79	$17,209,500	$2,400,209
	Willow Lane	&	7.17 Ac			$217,842
	Westminster	7/15	11.0DU/Ac			$396,518
11	E/S Kraemer Blvd.,	7/14	SFD Condo	78	$20,000,000	$2,645,503
	S/O Morse Ave.		7.56 Ac			$256,410
	Placentia		10.3DU/Ac			$360,000 Est.
12	SWC Lakeview Ave. &	4/15	SFD Condo	40	$8,550,000	$2,081,305
	Bastanchury Rd.		4.108 Ac			$213,750
	Yorba Linda		9.7DU/Ac			$325,000
13	E/S Richfield Ave.,	2/15	2,700 SF	28	$4,450,000	$1,374,305
	S/O Yorba Linda Blvd.		3.238 Ac			$158,929
	Yorba Linda		8.6/DUAc			$269,000
14	SEC Orange Ave. &	6/12	6,500 SF	16	$5,250,000	$1,581,325
	Moody St.		3.32 Ac			$328,125
	Cypress		4.82/Ac			$471,608
15	E/S Fairmont Blvd.,	12/12	10,000 SF	113	$47,000,000	$947,581
	N/O Bastanchury Rd.		49.6 Ac			$415,929
	Yorba Linda		2.28/Ac			$445,581
16	N/S Del Obispo St.,	5/13	19,000 SF	40	$23,100,000	$1,151,086
	E/O Paseo de la Paz		20.068 Ac			$577,500
	San Juan Capistrano		1.99/Ac			$827,500

The land sales data summarized above is intended to "bracket" the different product types proposed for the various neighborhoods in West Coyote Hills. Because of the general built-out nature of north Orange County many of the land sales found are for parcels that are being developed with higher density product than what is proposed for WCHSP. Consequently, a wider geographic search was conducted and a few older sales were researched as well.

A number of sales were researched in the Irvine area as well but not included in this analysis. All of these sales were felt not comparable to the subject. Deal terms for these sales are structured on rolling options allowing the buyers (builders) multiple takedowns without having the heavy carrying cost of the land. This allows much higher land prices that are difficult to compare with the subject lots without having to make very large adjustments.

The data provides a range from $200,000 per finished lot (unit) for higher density product up to $827,500 for the lowest density, one-half acre lots. This data was compared and contrasted to the subject neighborhoods with the estimated finished lot values summarized on the chart below.

In estimating potential revenues for the subject neighborhoods (Planning Areas-PA's) a finished lot estimate was made for each product type/neighborhood. From the finished lot estimate the In-Tract costs from the Moote Group study was deducted to provide an indication of revenue for the individual subject neighborhoods. These estimates are summarized in the following chart.

PA	Lot Size	No. Lots	Acres	Density	Finished Lot Value	In-Tract Costs/Lot	Revenue Per Lot	Total Revenue
1	½ Acre	16	10.4	1.5/Ac	$825,000	$98,891	$726,109	$11,617,744
3	4,500 SF	59	13.7	4.3/Ac	$425,000	$58,705	$366,295	$21,611,405
4	5,500 SF	53	14.2	3.7/Ac	$480,000	$72,755	$407,245	$21,583,985
5	4,000-5,500 SF	178	47.9	3.7/Ac	$470,000	$75,140	$394,860	$70,285,080
6	5,000 SF	73	26.3	2.8/Ac	$475,000	$89,697	$385,303	$28,127,119
7	6,000 SF	63	22.1	2.9/Ac	$500,000	$82,483	$417,517	$26,303,571
8	4,000 SF	111	24.3	4.6/Ac	$375,000	$67,271	$307,759	$34,157,919
9	TH/Cluster	204	19.0	10.7/Ac	$275,000	$48,840	$226,160	$46,136,640
	Total/Avg.	**757**	**177.9**	**4.25/Ac**			**$343,232**	**$259,823,463**

Land Residual Analysis

In addition to the land sales summarized above, a land residual analysis for each of the subject neighborhoods (Planning Areas) was conducted to estimate potential revenues for the cash flow analysis. The market study conducted by The Concord Group was reviewed relative to product and pricing recommendations and comparable new home sales used in their report. In addition to their study, and to confirm their findings, a field investigation was conducted of new home projects in the north Orange County submarket. Pertinent information on these projects is summarized on the chart below. More detailed information on the projects is in the Addenda of this report.

Market Data Map

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Summary-New Home Product

Data No.	Name/Builder Location	Date Open	Home Size	Density/ Lot Size	Base Price	Price/ SF
1	*Aldea Walk* (No CFD)	9/15	1,512 SF	16.5DU/Ac	N/A	N/A
	The Olson Co.		1,362 SF		$440,990	$323.78
	Orangethorpe Ave., Buena Park		1,686 SF		N/A	N/A
			1,822 SF		$528,990	$290.33
2	*Covington* (No CFD)	8/15	1,842 SF	8.6DU/Ac	$619,585	$336.37
	Brandywine Homes		1,973 SF		$624,990	$316.77
	Yorba Linda Blvd., Yorba Linda		2,135 SF		$648,960	$303.96
			2,081 SF		$650,155	$312.42
3	*The Groves* (No CFD)	1/14	1,783 SF	19.3DU/Ac	$569,990	$319.68
	KB Home		1,801 SF		$579,990	$322.04
	Lime Tree Place, Fullerton		1,864 SF		$669,990	$359.44
			2,131 SF		$578,145	$271.30
4	*Bacara (Castile)* (CFD)	7/15	1,581 SF	16.2DU/Ac	$620,990	$392.78
	Van Daele Homes		1,568 SF		$633,990	$404.33
	Sevilla Drive, Brea		1,782 SF		$664,990	$373.17
5	*Camino at La Floresta* (CFD)	12/14	1,842 SF	8.2DU/Ac	$740,900	$381.91
	Standard Pacific Homes		1,973 SF		$834,900	$378.30
	Villa Drive, Brea		2,135 SF		$845,900	$361.65
			2,081 SF		$826,900	$339.45
6	*Rose Court* (No CFD)	9/15	1,780 SF	2,000 SF	$699,990	$393.25
	City Ventures		1,980 SF		$718,990	$365.85
	Wabash Avenue, Yorba Linda		2,158 SF		$749,990	$347.54
7	*Terraza* (No CFD)	10/14	2,106 SF	2,881 SF	$734,900	$349.00
	Beazer Homes		2,140 SF		$755,900	$353.27
	Ventana Lane, Placentia		2,273 SF		$766,900	$337.44
			2,876 SF		Sold out	N/A
8	*Avenida at La Floresta* (CFD)	10/14	2,402 SF	3,200 SF	$822,900	$342.59
	Standard Pacific Homes		2,615 SF		$864,900	$330.75
	La Palma Drive, Brea		2,675 SF		$915,900	$342.29
9	*Collage* (No CFD)	7/15	2,854 SF	5,000 SF	$784,990	$275.05
	Van Daele Homes		2,978 SF		$793,980	$266.62
	Orange Avenue, Anaheim		3,492 SF		$835,990	$239.40
10	*Cortese at Amalfi Hills* (No CFD)	9/14	2,310 SF	6,500 SF	$1,299,995*	$562.77*
	Toll Brothers		3,472 SF		$1,399,995*	$403.22*
	Chianti Court, Yorba Linda		3,667 SF		$1,234,495	$336.65
			3,880 SF		$1,199,995	$309.28
			4,322 SF		$1,325,095	$306.59
11	*Avignon at Blackstone* (CFD)	5/14	4,570 SF	7,800 SF	$1,613,900	$353.15
	Standard Pacific Homes		5,139 SF		$1,561,900	$303.93
	McKittrick Place, Brea		5,336 SF		$1,584,900	$297.02

* Model plans with upgrades

The Concord Group market study is dated October 15, 2015. It is titled "Strategic Market Update in Support of Appraisal for West Coyote Hills" and prepared for Chevron Land & Development. This study included new home product in primary market areas of north Orange County as well as re-sales of existing homes. The study also analyzed other demographic conditions and trends leading the TCG's recommendations of product and pricing. All pricing recommendations assume a CFD on the WCHSP property. These recommendations are summarized on the following chart.

PA	Acres	Units	Density	Lot Size	Unit SF Range	Avg. Price	$/SF
1	10.4	16	1.5/Ac	½ Acre	4,300-5,500 SF	$1,672,000	$341
3	13.7	59	4.3/Ac	4,500SF	2,400-2,800 SF	$854,000	$328
4	14.2	53	3.7/Ac	5,500SF	3,200-3,800 SF	$1,149,000	$328
5	47.9	178	3.7/Ac	4,000-5,500SF	2,800-3,200 SF	$956,000	$319
6	26.3	73	2.8/Ac	5,000SF	2,800-3,400 SF	$1,028,000	$332
7	22.1	63	2.9/Ac	6,000SF	3,400-4,000 SF	$1,193,000	$322
8	24.3	111	4.6/Ac	4,000SF	2,200-2,600 SF	$800,000	$333
9	19.0	204	10.7/Ac	SFA	1,400-1,800 SF	$586,000	$366
	177.9	757	4.26/Ac		2,647 SF	$881,000	$333

This pricing considers HOA dues and CFD assessments with a total tax rate of 1.9% of purchase price of the home. This general price range is reflected in the above summarized projects conducted in my survey as well.

Premiums: Premiums as reported in The Concord Group study range up to $150,000 with premiums per site ranging from 10% to 40% of the lots having premiums based on the topography and site orientation. Average premiums per neighborhood range from $15,000 to $60,000 depending on the percentage of lots with views. Premium estimates appear to be reasonable. These premiums range from 1.3% to 5.3% of average base prices which is on average conservative for new home product. Based on the market study conducted premiums have been estimated at the above stated range.

Extras and Options: In estimating residual land prices builders will include an amount for extras and options (aka upgrades) in their revenue projections and then deduct the actual costs for those upgrades in their pro forma. Usually there is a fairly large mark-up in extras and options as this is a profit center for the builder. General parameters for this level of product were discussed with a major land developer and two builders. In the residual analysis an amount was added for extras and options and 75% of that revenue was deducted as the cost for those extras and options which is a fairly common practice.

Construction Costs: This cost estimate is based on a review of a number of pro formas from various projects throughout Southern California along with information from a large master plan developer that requires the reporting of direct and indirect construction costs from their merchant builders. Direct constructions costs ("sticks & bricks") were estimated ranging from $85 to $100 per square foot depending on product type and price level. This is the largest single component in a builder's residual analysis.

Indirect costs were estimated between 2.6% and 3.0% of sales revenue. Construction financing was estimated at between 3.3% and 3.9% of revenue. Marketing for the various products was estimated between 4.1% and 4.9% of revenue which is fairly typical for builders and includes models, collateral material and advertising. Overhead is estimated at 4.0% of revenue and is also fairly typical. Warranty and insurance cost to the builder was estimated at 1.0% of revenue in the residual analysis.

In-Tract Costs: As discussed above, an independent cost estimated was conducted by The Moote Group, dated September 15, 2015. This analysis estimated not only the In-Tract costs but the backbone infrastructure costs as well. In the residual analyses of the individual neighborhoods only the In-Tract costs were deducted. These costs ranged from $48,840 per lot (unit) to $98,891 per lot depending on product and site conditions. Backbone infrastructure costs are phased and deducted in the cash flow analysis

Builder Profit: As a percentage of revenue, builders typically look at a profit ratio ranging from about 6% to 10% or higher. Master planned communities in Irvine utilize a 6% profit when negotiating land sales with builders. Other locations that present greater market risk typically require higher profit ratios. Considering the location of the subject property an 8% profit ratio was used in the subject residual analyses.

The chart below summarizes estimated revenues from both the direct comparison of land sales and from the Land Residual Analyses completed on the individual neighborhoods. Copies of the individual Land Residual Analyses are in the Addenda.

PA	Lot Size	No. Lots	Acres	Density	Direct Comparison Revenue	Land Residual Revenue	Concluded Residential Revenue
1	½ Acre	16	10.4	1.5/Ac	$11,617,744	$11,761,344	$11,760,000
3	4,500 SF	59	13.7	4.3/Ac	$21,611,405	$23,074,705	$23,000,000
4	5,500 SF	53	14.2	3.7/Ac	$21,583,985	$26,432,385	$26,000,000
5	4,000-5,500 SF	178	47.9	3.7/Ac	$70,285,080	$72,532,330	$72,500,000
6	5,000 SF	73	26.3	2.8/Ac	$28,127,119	$31,490,519	$31,400,000
7	6,000 SF	63	22.1	2.9/Ac	$26,303,571	$30,755,421	$30,700,000
8	4,000 SF	111	24.3	4.6/Ac	$34,157,919	$38,353,669	$38,000,000
9	TH/Cluster	204	19.0	10.7/Ac	$46,136,640	$47,967,540	$47,900,000
	Total/Avg.	**757**	**177.9**	**4.25/Ac**	**$259,823,463**	**$282,367,913**	**$281,260,000**

Revenue Phasing

Master planned communities are typically developed in phases depending on size (number of units), physical conditions of the site and other considerations. The Concord Group study has the property being developed from east to west. This helps in the segmentation of product as well as allowing for the physical and logistical development of the property. Proper product segmentation would generally stager similar products over time so they aren't competing directly with one another.

Revenues in the cash flow analysis are phased from a financial aspect. With approved entitlements a land developer would commence a land sales program with merchant builders as soon as possible. Builders would need to process their own subdivision maps for the individual neighborhoods. In addition they would need to obtain architecture approval and improvement plans for internal streets and utility systems. Closing of land sales with builders has been estimated to occur beginning in the Third Quarter of 2017. Revenue for the commercial site is projected to close in the Second Quarter of 2018.

Village Retail Site

West Coyote Hills Specific Plan has a 5.2 acre site that is designated for commercial use. This site is located at the northeast corner of Rosecrans Avenue and the proposed major arterial that is to run through the property. This site will provide additional revenue to the land. The chart below summarizes commercial land sales in Orange County.

Commercial Land Sale Summary

Data No.	Location	Sale Date	Size Acres	Price	Price/ Sq. Ft.	Comments
1	3630 Westminster Ave., Santa Ana	2/15	3.91	$6,250,000	$36.70	24% down, seller carried back note. Plans for apartment project.
2	1010 S. Harbor Blvd., Santa Ana	713	3.90	$5,400,000	$31.82	All cash. SP-2 zoning. Adjacent to major retail. Plans for residential.
3	1660 Barranca Pkwy., Irvine	8/15	3.547	$7,420,000	$48.02	Buyer intends to develop hotel. All cash deal.
4	5725 Trabuco Rd., Irvine	3/15	1.449	$3,000,000	$47.53	Buyer plans to build Montessori pre-school.
5	14002 Newport Ave., Tustin	8/13	1.96	$4,000,360	$46.88	Commercial zoning. All cash deal.

Revenue from the commercial "Village Retail" site is estimated on the basis of $35 per square foot. This revenue is estimated to be received in the Second Quarter, 2018 once development of residential product has started and there are closings.

Land Development Costs

As discussed above, the cost estimate by The Moote Group covers the development costs of the backbone infrastructure for West Coyote Hills as well as the In-Tract costs for the individual neighborhoods (already accounted for in the revenue estimates). This cost estimate is in the Addenda of this report.

Backbone costs are estimated for lands east of Gilbert Street and lands west of Gilbert Street separately. The analysis covers a total of 704 units (less Neighborhood 2) on 209.9 gross acres and 161.10 residential acres. Land east of Gilbert Street has 53.6 gross acres, 24.4 residential acres and 75 lots. Land west of Gilbert Street has 156.30 gross acres, 136.70 residential acres and 629 lots/units (425 single family detached lots and 204 attached product). Overall backbone costs are summarized on the chart on the following page. The Moote Group estimated in its entirety is in the Addenda of this report.

West of Gilbert		East of Gilbert		Total	
No. Units:	629	No. Units:	75	No. Units:	704
SFD Units:	425	SFD Units:	75	SFD Units:	500
SFA Units:	204	SFA Units:	0	SFA Units:	204
Gross Acres:	156.30	Gross Acres:	53.60	Gross Acres:	209.90
Graded Ac:	156.30	Graded Ac:	53.60	Graded Ac:	209.90
Residential Ac.	136.70	Residential Ac.	24.40	Residential Ac.	161.10
Density:	4.60/Ac	Density:	3.07/Ac	Density:	4.37/Ac

It is noted that even though the cost estimate covers only 704 units/lots, the analysis conducted in this appraisal totals 757 entitled units/lots. Most of the lots that were lost in Neighborhood 2 have been transferred to Neighborhoods 5, 6 and 8.

Category	W/O Gilbert	$/DU	E/O Gilbert	$/DU	Total	$/DU
Clearing/Grading	$23,006,833	$36,577	$6,033,005	$80,440	$29,039,838	$41,250
Streets	5,384,027	8,560	3,997,031	53,294	9,381,058	13,325
Sewer System	1,252,050	1,991	254,658	3,395	1,506,707	2,140
Reclaimed Water	591,800	941	443,150	5,909	1,034,950	1,470
Domestic Water	8,191,386	13,023	1,529,690	20,396	9,721,076	13,808
Dry Utilities	1,137,380	1,808	897,820	11,971	2,035,200	2,891
Storm Drains	2,650,690	4,214	766,675	10,222	3,417,365	4,854
Parks	2,948,197	4,687	316,000	4,213	3,264,197	4,637
Landscaping	10,856,526	17,260	3,737,689	49,836	14,594,215	20,730
Other (Incl. Bridge)	101,449	161	1,373,906	18,319	1,475,355	2,096
Contingency-10%	5,612,034	8,922	1,934,962	25,799	7,546,996	10,720
Total Directs	**$61,732,371**	**$98,144**	**$21,284,586**	**$283,794**	**$83,016,956**	**$117,922**
Indirect Costs						
Consultant Fees	$5,559,078	$8,838	$1,918,436	$25,579	$7,477,514	$10,621
Bonds/Permits/Fees	3,216,972	5,114	1,074,383	14,325	4,291,354	6,096
Contingency-0%	0	0	0	0	0	0
Total Indirect	8,776,050	13,952	2,992,819	39,904	11,768,868	16,717
Total Costs	**$70,508,420**	**$112,096**	**$24,277,404**	**$323,699**	**$94,785,825**	**$134,639**

These costs are summarized and consolidated in terms of some line items in the cash flow analysis. For example, "Environmental Mitigation" of about $9.2 million is included in the "Clearing/Grading" category. Street Improvements, Signing, Striping and Street Lights are all categorized under "Streets."

In addition to the costs estimated by the Moote Group as summarized above, there are other costs, as requirements of the Conditions of Approval (CoA) that were not included in their estimates. These costs and estimated timing of implementation are summarized on the following chart and included under "Entitlements" in the cash flow analysis.

CoA	Public Benefit Requirement	Amount	Timing
M.1	Laguna Lake Donation	$270,000	Within 120 days of VTTM approval
M.6	Interpretive Center	2,800,000	130th building permit
M.9	Habitat Endowment	3,840,000	At building permits
M.10	Additional Trail Improvements	*30,000	Prior of occupancy of homes
M.16	Library Technology Grant	176,000	At or before Final Maps for Neighborhood
M.17	Impact Fees	0	At building permit, included in In-Tract costs
	Total	$7,116,000	

*Estimated

Also, in addition to these costs other "soft" costs have been included to account for the marketing, sales and closing of land parcels as well as costs to form a CFD and for property taxes between the date of value and the sale of lots/units to merchant builders. Marketing, sales and closing costs have been estimated at 4.5% of revenues. Property taxes have been estimated based on $700,000 per acre times the developable acreage with property taxes diminishing as land is sold to merchant builders. Costs associated with the CFD are based on information from a CFD consultant and are estimated at $400,000.

Mello-Roos Community Facilities District (CFD)

A CFD is a common financing mechanism used in most all master planned communities in Orange County as well as for larger subdivisions. This mechanism was created by law in California in 1982 and allows governmental agencies to help finance needed community facilities and services. It requires a two-thirds approval vote by qualified "electors" and in the case of the subject property, the land owner. It is used as a tool to help implement land use approvals (ie., West Coyote Hills Specific Plan and Approved Vesting Tentative Tract Map No. 17609).

The Concord Group market study has recommended product pricing assuming a total tax rate of 1.9% which was confirmed in our survey of new home product in the north Orange County submarket. Total development costs, including soft costs in addition to the total amount above, is roughly $117.26 million. Average sale price for homes in WCHSP is estimated at $881,000. This sales price would indicate an average capacity of approximately $7,050 per year in special taxes over and above the base tax rate. This suggests approximately $82 million worth of facilities and/or services (approximately 70% of cost) could be financed through a CFD assuming a 30 year term and a 5% interest rate. This calculation was used in estimating CFD reimbursements in the cash flow analysis. Proceeds from reimbursements are typically received at the time of the sale of homes or when models are completed. The cash flow analysis reflects receipt of these reimbursements in the 3rd and 4th Quarters of 2017, after the hypothetical closings of initial homes within the project.

Discounted Cash Flow Analysis (DCF)

The DCF analysis is commonly used in bulk sale analysis of vacant land when components of the property are sold to builders and/or developers. Land development is about the efficient use of capital, with the ownership motivated to generate revenue as soon as possible and limit the up-front costs as much as possible. The analysis estimates the potential revenue for various land uses and deducts the costs to put the property in a condition to sell those land uses. Timing required to entitle the land, develop it and then sell to buyers is estimated as a part of the DCF.

For West Coyote Hills, the property is fully entitled except for a requirement to update a biological survey that is anticipated to take between six and eight months. At that time, with an approved VTTM, there will theoretically be parcels where the property owner would be able to start negotiations with builders/buyers. It is estimated that once ownership negotiates deals with builders/buyers it will take additional time for the builders to process their individual maps before they can start construction of homes. The cash flow considers negotiation and signing of deals in the initial phase of development in Second and Third Quarters of 2016 with land closings beginning in the Third Quarter of 2017 once individual builder maps or projected to be finalized. Revenue for the Village Retail site is phased in the Second Quarter of 2018.

Similar to the revenue projections, development costs are phased over the life of the project. Grading and basic infrastructure is generally phased over the initial quarters of the cash flow with other costs such as landscaping and parks coming later.

Discount Rate: The discount used should be a market derived rate that is based on market conditions at the date of value and reflects the rate of return, profit and risk needed to attract debt and equity capital to the property. Subject property was discussed with land developers, equity capital sources and builders to determine an appropriate rate to use in discounting the net cash flows. Generally the responses were in a range from 18% to 30%. The higher end of the range were for properties in secondary locations without full entitlements. Consensus for a property like the subject, with a strong Orange County location and full (or almost full) entitlements was at the low end of the range.

CASH FLOW ANALYSIS OF THE PROJECT

		Q4 15'	Q1 16'	Q2 16'	Q3 16'	Q4 16'	Q1 17'	Q2 17'	Q3 17'	Q4 17'	Q1 18'	Q2'18	TOTAL
PROJECT REVENUES:													
RESIDENTIAL													
PA 1		-			-	-			11,760,000	-	-	-	$ 11,760,000
PA 2		-	-	-	-	-	-	-	-	-	-	-	$ -
PA 3		-			-	-			23,000,000	-	-	-	$ 23,000,000
PA 4		-	-			-	-			26,000,000	-	-	$ 26,000,000
PA 5		-	-			-	-			72,500,000	-	-	$ 72,500,000
PA 6		-	-	-	-	-		-	-			31,400,000	$ 31,400,000
PA 7		-	-	-	-		-	-	-		30,700,000	-	$ 30,700,000
PA 8		-	-	-	-		-	-	-		38,000,000	-	$ 38,000,000
PA 9		-	-			-	-			47,900,000	-	-	$ 47,900,000
PA 10		-	-	-	-	-	-	-	-	-	-	-	$ -
TOTAL RESIDENTIAL		-	-	-	-	-	-	-	34,760,000	146,400,000	68,700,000	31,400,000	$ 281,260,000
COMMERCIAL		-	-	-	-	-	-	-	-	-		7,925,000	$ 7,925,000
OTHER REVENUE		-	-	-	-	-	-	-	-	-	-	-	$ -
TOTAL REVENUES		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 34,760,000**	**$ 146,400,000**	**$ 68,700,000**	**$ 39,325,000**	**$ 289,185,000**
PROJECT COSTS:													
DIRECT COSTS													
Clearing/Grading			9,200,000	6,613,000	6,613,000	6,613,000		-	-	-	-	-	$ 29,039,000
Streets		-		3,127,000	3,127,000	3,127,000		-	-	-	-	-	$ 9,381,000
Sewer System		-		502,200	502,200	502,200		-	-	-	-	-	$ 1,506,600
Reclaimed Water		-		345,000	345,000	345,000		-	-	-	-	-	$ 1,035,000
Domestic Water		-		3,240,000	3,240,000	3,240,000		-	-	-	-	-	$ 9,720,000
Storm Drains		-		1,140,000	1,140,000	1,140,000		-	-	-	-	-	$ 3,420,000
Dry Utilities		-			678,400	678,400	678,400	-	-	-	-	-	$ 2,035,200
Reimbursements		-	-	-	-	-	-	-	-	-	-	-	$ -
Parks		-	-	-	1,088,000	-	1,088,000	-	1,088,000	-	-	-	$ 3,264,000
Landscaping		-	-	-	3,650,000	3,650,000	3,650,000	-	3,650,000	-	-	-	$ 14,600,000
Other Directs		-	-	650,000	650,000	-	-	-	-	-	-	-	$ 1,300,000
Contingency		697,995	1,871,255	1,032,995	1,442,060	365,000	1,377,060	-	473,800	-	-	-	$ 7,260,165
TOTAL DIRECT COSTS		**$ 697,995**	**$ 11,071,255**	**$ 16,650,195**	**$ 22,475,660**	**$ 19,660,600**	**$ 6,793,460**	**$ -**	**$ 5,211,800**	**$ -**	**$ -**	**$ -**	**$ 82,560,965**
INDIRECT COSTS													
Entitlements/Public Benefits			-	270,000	-	-	-	2,916,200	2,619,400	1,310,400	-	-	$ 7,116,000
Consultant Fees		2,500,000	-	2,500,000	-	2,500,000	-	-	-	-	-	-	$ 7,500,000
Property Taxes		840,000	840,000	-	-	840,000	840,000	-	-	200,000	200,000	-	$ 3,760,000
CFD Costs		200,000	200,000	-	-	-	-	-	-	-	-	-	$ 400,000
Bonds/Permits/Fees		650,000	650,000	-	-	-	-	-	-	-	-	-	$ 1,300,000
Impact Fees		-	-	-	-	-	-	-	-	-	-	-	$ -
Marketing & Closing			1,625,000	1,625,000	1,625,000	1,625,000	1,625,000	1,625,000	1,625,000	1,625,000	-	-	$ 13,000,000
Contingency-5%		209,500	165,750	219,750	81,250	248,250	123,250	227,060	212,220	156,770	10,000	-	$ 1,653,800
TOTAL INDIRECT COSTS		**$ 4,399,500**	**$ 3,480,750**	**$ 4,614,750**	**$ 1,706,250**	**$ 5,213,250**	**$ 2,588,250**	**$ 4,768,260**	**$ 4,456,620**	**$ 3,292,170**	**$ 210,000**	**$ -**	**$ 34,729,800**
TOTAL PROJECT COSTS		**$ 5,097,495**	**$ 14,552,005**	**$ 21,264,945**	**$ 24,181,910**	**$ 24,873,850**	**$ 9,381,710**	**$ 4,768,260**	**$ 9,668,420**	**$ 3,292,170**	**$ 210,000**	**$ -**	**$ 117,290,765**
CFD REIMBURSEMENTS		-	-	-	-	-	-	-	41,000,000	41,000,000			**$ 82,000,000**
NET INCOME		**$ (5,097,495)**	**$ (14,552,005)**	**$ (21,264,945)**	**$ (24,181,910)**	**$ (24,873,850)**	**$ (9,381,710)**	**$ (4,768,260)**	**$ 66,091,580**	**$ 184,107,830**	**$ 68,490,000**	**$ 39,325,000**	**$ 253,894,235**
NET PRESENT VALUE													
Quarterly Discount Factor													
Discount Factor:	0.18	1.021	1.064	1.109	1.156	1.205	1.256	1.309	1.364	1.422	1.482	1.544	
Discounted Cash Flow		(4,993,115)	(13,676,252)	(19,175,116)	(20,921,549)	(20,647,894)	(7,472,127)	(3,643,776)	48,458,210	129,515,872	46,228,244	25,467,040	$ 159,139,537
Cumulative		$ (4,993,115)	$ (18,669,366)	$ (37,844,483)	$ (58,766,032)	$ (79,413,926)	$ (86,886,053)	$ (90,529,829)	$ (42,071,618)	$ 87,444,253	$ 133,672,498	$ 159,139,537	$ 159,139,537
Discount Factor:	0.22	1.025	1.077	1.132	1.190	1.251	1.314	1.381	1.452	1.526	1.604	1.685	
Discounted Cash Flow		(4,972,352)	(13,506,347)	(18,779,731)	(20,320,096)	(19,887,867)	(7,137,354)	(3,451,638)	45,522,012	120,658,416	42,709,311	23,333,193	144,167,549
Cumulative Cash Flow		$ (4,972,352)	$ (18,478,698)	$ (37,258,430)	$ (57,578,525)	$ (77,466,392)	$ (84,603,746)	$ (88,055,384)	$ (42,533,371)	$ 78,125,044	$ 120,834,356	$ 144,167,549	$ 144,167,549

Based on this a range from 18% to 22% for discount rates has been used. This analysis is summarized on the chart below with the detailed cash flow analysis on the facing page.

Value Indication Discounted at 22%: $144,200,000 (Rounded)

Value Indication Discounted at 18%: $159,100,000 (Rounded)

Neighborhoods 1 and 3

In addition to the value estimate on the overall Coyote Hills Specific Plan (less Neighborhood 2), separate value estimates are provided for Neighborhoods 1 and 3.

The value for Neighborhood 1 considers the neighborhood as a stand-alone property because of its adjacency to Euclid Street and relative ease of development. The residual analysis for Neighborhood 1 provides a land value indication of $11,760,000 (rounded) that was utilized in the cash flow analysis for the total West Coyote Hills property. This revenue is projected to be received in the Third Quarter, 2017. In the following analysis the revenue for Neighborhood 1 has been discounted at 18% for 15 months to provide a present value estimate.

$11,760,000 Discounted at 18%, 15 months = $9,406,254

Rounded to $9,400,000

Value estimate for Neighborhood 3 gives consideration to an agreed upon development cost credit for backbone infrastructure as estimated by The Moote Group. This estimate is dated December 28, 2015 and is located in the Addenda of the report behind the overall Moote cost estimate. Cost allocated to Neighborhood 3 is a total of $9,988,690 including an estimated $463,000 for sewer credit as provided by the city engineering department. The residual analysis for Neighborhood 3 indicates a retail value to a builder of about $23,000,000 in a super-pad condition. Because of the greater distance to obtain access to Neighborhood 3 this revenue amount has been discounted for two years compounded annually. This analysis is summarized as follows:

Estimated Revenue		$23,000,000
Infrastructure Cost	$9,588,690	
Sewer Credit	463,000	
Cost Adjustment		10,051,690
Net Amount		$12,948,310
Present Value @ 18%, 2 Years		$9,299,275
	Rounded to	**$9,300,000**

RECONCILIATION AND VALUE CONCLUSIONS

The subject property is located in the City of Fullerton and is known as the proposed master planned community of West Coyote Hills Specific Plan. Fullerton has a very positive reputation as a desirable location in Orange County. The school system is highly rated and its proximity to major employment centers in both Orange and Los Angeles County make it a sought after address for home buyers and builders. It has good freeway access to Interstate 5 (Santa Ana Freeway), State Route 57 (Orange Freeway) and to State Route 91 (Riverside Freeway).

The residential market continues to improve albeit at a slower pace than over the past several years. Several market pundits believe that we will continue to have a slow recovery with earlier peak prices not reached until 2017.

Both the Sales Comparison Approach and Land Development Analysis were considered applicable to provide indications of value for the subject property. Seven sales were used for direct comparison to the subject that have varying degrees of comparability. Sales were analyzed on a price per developable acre and price per developable unit basis.

In addition to the Sales Comparison Approach a Land Development Analysis was also conducted. This technique replicates how developers typically look at land development opportunities. Estimated revenue for the subject property was based on a comparison to builder land sales as well as by residual analysis, running builder pro formas for the individual neighborhoods. In addition, revenue was estimated for the subject "Village Retail" site by direct comparison to commercial land sales.

The two approaches provide the following value indications.

Sales Comparison Approach	**$160,000,000**
Land Development Analysis	**$144,200,000 to $159,100,000**
Neighborhood 1	**$9,400,000**
Neighborhood 3	**$9,300,000**

Based upon the investigation and analysis conducted and subject to the limiting conditions and assumptions set forth in this report, we have concluded that as of November 3, 2015 the subject property had a an "As Is" value of:

ONE HUNDRED FIFTY MILLION DOLLARS
($150,000,000)

LIMITING CONDITIONS

This report is made expressly subject to the following conditions and stipulations.

1) No responsibility is assumed by the appraisers for matters that are legal in nature.

2) No opinion of title is rendered and the property is appraised as though free of all encumbrances and the title marketable.

3) The appraisal covers the property described only.

4) No survey of the boundaries of the property has been made. All areas and dimensions furnished the appraiser is assumed to be correct.

5) Sources of information are believed to be correct and, where feasible, have been verified.

6) That the term ***"market value"*** as used in this report is defined and qualified as being: "the amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of the appraisal, after a reasonable exposure time on the open competitive market, from a willing an reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property at the time of the appraisal."

7) That the date of value to which the conclusions and opinions expressed in this report apply, is set forth in the letter of transmittal. Further, that the dollar amount of any value opinion herein rendered is based upon the purchasing power of the American dollar on that date.

8) That the appraisers assume no responsibility for economic or physical factors, which may affect the opinions herein stated occurring at some date after the date of value.

9) That the appraisers reserve the right to make such adjustments to the valuation herein reported, as may be required by consideration of additional data or more reliable data that may become available.

10) That maps, plats, and exhibits included herein are for illustration only as an aid in visualizing matters discussed within the report. They should not be considered as a survey, or relied upon for any other purpose, nor should they be removed from, reproduced, or used apart from this report.

11) By reason of this appraisal, the appraisers are not required to give testimony or to be in attendance in court or at any governmental or other hearing with reference to the property without prior arrangements having been made relative to such additional employment.

12) In this engagement, Larry W. Heglar, MAI has used his best efforts to perform the appraisal in a professional manner to the Uniform Appraisal Standards for Federal Land Acquisitions and Standards of the Appraisal Institute, however, no warranties, assurances or guarantees of any kind are expressed or implied and the appraiser(s) accepts no liability in furnishing this report.

13) Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute.

    Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or any reference to the Appraisal Institute, or to the MAI or RM designation) shall be disseminated to the public through advertising media, public relations media, sales media or any other public means of communication without the prior written consent and approval of the authors.

14) This appraisal report is prepared for the sole and exclusive use of the client identified herein for the stated intended use. No third parties are authorized to rely upon this report without the express prior written consent of Larry W. Heglar, MAI.

CERTIFICATION

Larry W. Heglar, MAI certifies that, to the best of his knowledge and belief,

- the appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan;
- the statements of fact contained in this report are true and correct;
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved;
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- my engagement in this assignment was not contingent upon developing or reporting predetermined results;
- my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal;
- 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, which include the Uniform Standards of Professional Appraisal Practice; and the Uniform Appraisal Standards for Federal Land Acquisitions;
- the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives;
- I have made a personal inspection of the property that is the subject of this report;
- no one provided significant real property appraisal assistance to the person(s) signing this certification; and
- in accordance with the USPAP Competency Provision, I certify that I have the knowledge and experience to complete this assignment and have appraised this property type before.

Respectfully submitted,

Larry W. Heglar, MAI
Appraiser